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THE ELEMENTS OF POLITICAL ECONOMY

Volume II

THE

ELEMENTS

OF

POLITICAL ECONOMY

In Two Parts

By DANIEL RAYMOND

[Second Edition: 1823]

With Additions from the Third Edition of 1836
And the Pamphlet
THE BANKRUPT LAW, FISCAL AGENT
AND AUCTION DUTIES
[1841?]

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ELEMENTS

OF

POLITICAL ECONOMY.

In Two Parts.

BY DANIEL RAYMOND.

COUNSELLOR AT LAW.

SECOND EDITION—IN TWO VOLUMES.

VOL. II.

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DISTRICT OF MARYLAND, TO WIT:

BE IT REMEMBERED That on this eighth day of December, in the forty-eighth year of the independence of the United States of America, Daniel Raymond, of the said District hath deposited in this office the title of a book, the right whereof he claims as author, in the words following, to wit:

"The Elements of Political Economy. In two parts. By Daniel Raymond, Counsellor at Law. Second Edition—in two volumes.

In conformity with the Act of the Congress of the United States, entitled, "An Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned;" and also to the Act, entitled, "An Act Supplementary to the Act, entitled 'An Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned,' and extending the benefits thereof to the arts of designing, engraving, and etching, historical and other prints."

PHILIP MOORE,
Clerk of the District of Maryland.

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THE

ELEMENTS OF

POLITICAL ECONOMY.

PART II.

CHAPTER I.

INTRODUCTION.

In the preceding part of this work, I have endeavoured to state and illustrate with as much clearness, as the brevity of the work would admit of, what are conceived to be some of the elementary principles of the science of Political Economy. I have attempted to establish a distinction between national and individual wealth, and to give an intelligible definition of each—National wealth has been traced to one single source, the EARTH; and shown to be produced by one single cause—LABOUR. In doing this, it became necessary to controvert some of the most popular theories on the subject of national wealth; and, especially, that which confounds national with individual

wealth. To the public it belongs to determine, whether these attempt have been successful.

The second part will naturally comprise some, at least, of the means by which national wealth may be promoted; and also an examination of some of the most prominent measures which governments have resorted to, for the purpose of promoting it.

This part will necessarily be more desultory than the former. It is not susceptible of being reduced to any precise limits; for almost every law in the statute book, might be made the subject of a chapter. Every subject which can have an influence in promoting, or which may be prejudicial to national wealth, would properly come within the scope of this part. Education, the administration of justice, bankrupt laws, the criminal code,* public law, treaties of commerce, colonies, &c. &c. are all subjects, upon which elaborate treatises might be written, all of which would fall within the scope of a work, on the means by which national wealth may be promoted.

But I have no intention to enter minutely into any of these subjects at present. I have neither the ability, nor the information, nor the time

* See Appendix A.

necessary, to do them passable justice. I shall, for the present, content myself with a few remarks, on the more trite and common subjects of political discussion; which are nevertheless supposed to have an important influence on national wealth, and upon which also public opinion is, I believe in all countries, very much divided.

Whether I shall be able to throw any additional light upon these subjects, I know not; but as I have before said, I write rather for my own amusement and improvement, than for the instruction of the public. If my notions were ever so correct, and my theories ever so sound, I know too well, the ways of this world, to suppose that mankind will consent to receive instruction from so humble an individual as myself. Long received opinions are not so easily overthrown. Men do not so readily admit that those from whom they have been in the habit of receiving instruction, were less wise than they have been supposed to be. But having launched my skiff upon the ocean of controversy, I shall continue to steer it by the dim light of my own reason, regardless of whose opinions it may run foul of.

CHAPTER II.

Of Natural and Conventional Rights.

Nature has endowed man with certain capacities, wants, propensities, and passions, over which she has given him a certain control, by bestowing upon him the power of free agency. In proportion as these capacities or faculties are developed and called into action, in the same proportion does man rise in the scale of being. The difference between the savage and the civilized man, is constituted by the difference in the development of their faculties, intellectual and moral. A principal object, therefore, of every political institution is, or should be the development of the faculties of the human mind. Every measure which has a tendency to produce this effect, is beneficial. Every measure which has a tendency to produce a contrary effect, is prejudicial.

Nothing can be more absurd, than to suppose that any measure which has a tendency to cramp and paralyze the human faculties, can promote national prosperity and wealth. Every true system of political economy, therefore, must be built upon the laws of nature, in regard to the human mind; not in regard to the human mind, as it appears in an individual, but in regard to the whole human mind, as it is apportioned and divided among men. The laws of nature, in regard to man, in his natural state, are to be preserved, as far as practicable, in the social state. The natural state of man is a state of perfect equality, as it regards rights.

In a state of nature, man has two classes of rights. First, those rights which are personal and exclusive or absolute. To this class belong his natural endowments, both physical and moral. His right to life, liberty, and the free use of his faculties in the pursuits of happiness, are the gifts of his Creator, of which he cannot be rightfully deprived, by his fellow man. These rights belong to him exclusively and absolutely.

The second class includes those rights, which he possesses in common with his fellow men. To this class belong his right to the light of the

sun—to the air he breathes—to such a portion of the earth, or rather to the use of such a portion of the earth for the time being that he occupies it, as is necessary to obtain, by his labour, his food and covering. These rights, and others of the same kind, belong to each individual in common with all his fellow creatures, and no man can have an exclusive right in them, except while they remain in his actual possession.

To every right there is a corresponding wrong, which consists in the deprivation of the right.

In the social state, there is another class of rights, with their corresponding wrongs, which may be called *conventional rights*. These conventional rights are modifications of the natural rights; such as the right of the community or nation to deprive a man of some of his natural rights, as his right to life or liberty, for a violation of some law of the social compact, to which every individual is supposed to have assented, and therefore become bound. The exclusive right of individuals to property in the earth, is also a conventional right, derived from a modification of the natural common right, which all men have to undefined portions of the earth. These conventional rights are the principal subjects of contro-

versy in the social state, and a thorough knowledge of them, constitutes the distinguished jurisprudent.

But although there is, in a state of nature, such a perfect equality of *rights*, yet there is not by any means, a perfect equality of *power*. One man has more talents, more strength, and more personal endowments than another; all of which enable him to procure and enjoy a greater share of the good things of this world, than a man less liberally endowed. Nature, therefore, never intended, that there should be a perfect equality among men; and the chimerical theories of Godwin, Condorcet, and other visionary dreamers about a state of perfect equality, are in as direct violation of natural law, as those existing systems, which place strength in subjection to weakness, talents in subjection to imbecility, and secure to one portion of the community in perpetuity, all the property, to the total exclusion of a more numerous and equally entitled portion. Both of these systems are in direct violation of the laws of nature, and a great portion of the evils which exist in society, are produced by this violation.

To reduce the strong man to a level with the weak one, or the man of talents to a level with

the simpleton, is as much a violation of the laws of nature, as it would be, to reduce the tall man to the height of the short one, or to attempt to produce an equality between comeliness and deformity.

This earth was never created for the benefit of one portion of the human race, to the total exclusion of another portion; and every system which tends to produce such a consequence, is in direct violation of natural law, and will certainly end in wretchedness and misery.

This natural equality of rights, and inequality of power, are to be preserved as far as practicable in every true system of political economy; and the principal difficulty in legislation consists, in the proper preservation of these two laws of nature. All human institutions are, however, imperfect; and it is not to be expected, that under any form of government these principles will ever be preserved in their native purity. But the nearer we can approach them, the nearer we shall approach to perfection.

An exclusive right to property, is the chief corner-stone of civil society—without this, the social state could not be sustained. This exclusive right, is to a certain extent, an infringement of man's natural right to the earth, which must

nevertheless, be permitted for the benefit of national existence.

A nation is an artificial being. God created man, and established certain laws respecting him. Men have formed themselves into nations, for the purpose of availing themselves of the advantages of united power, and for the purpose of protection and security against each other's violence; and they have a right to modify the laws of nature, so as to adapt them to this artificial state of things.

Man's natural undefined right to the earth, is inconsistent with the existence of the social state. A modification must, therefore, be made, but this modification should be carried no farther than is necessary to accomplish the object. If carried farther, it will be injurious. In other words, equality of rights should be preserved as far as practicable, consistently with the exclusive right of property. This will preserve as equal a division of property, as is beneficial to society, or conducive to national wealth.

Laws of primogeniture, entail, limitations of real property, private monopolies, exclusive privileges, and every other law, which produces an artificial inequality in rights and power, are a direct and an unnecessary violation of natural

law, and tend, in a greater or less degree, to produce wretchedness, poverty, pauperism, and moral degradation, in one part; and overgrown wealth, idleness, luxury, and effeminacy, in another part of the community.

An equal division of property is not a thing to be desired in any country, because it is not a dictate of nature. An agrarian law, or any other forcible equalization of property, is as unnatural, as it would be to reduce all men to the same stature, by stretching them upon the bed of Procrustes; and an inequality produced by unequal or partial laws, is equally detrimental to the public good, and an unnecessary violation of the laws of nature.

As nature has bestowed upon men equal rights, let those rights always remain equal, so far as they depend upon equal laws. As nature has bestowed upon men unequal power, let every man enjoy the full benefit of nature's endowments. Let him have the full benefit of those advantages, which nature has given him over his fellows. If one man has more talents, more strength, more ingenuity, or industry, than another, let him enjoy the full benefit of these advantages. Let there be no laws, that shall give dullness a superiority over talents, or weakness

over strength. Let there be no exclusive privileges, or advantages, secured to one class of men, and denied to another; or what is in effect the same thing, let there be no contrivances, or institutions, which shall give the rich an artificial power to increase their wealth, but of which the poor cannot avail themselves.

A government should be like a good shepherd, who supports and nourishes the weak and feeble ones in his flock, until they gain sufficient strength to take their chance with the strong, and does not suffer them to be trampled on, and crushed to the earth, by the powerful. The powerful ones in society, however, are not usually those who are so by nature, but those who have been made so by art—by the inheritance or acquisition of enormous wealth; and these are they, who ordinarily, engross all the attention and care of the government. These call themselves the nation; and governments are principally occupied in devising means, not for preserving the natural equality of rights, which exists among men; but for producing a still greater inequality in these rights, by augmenting the wealth of the rich; supposing that by augmenting the wealth of the rich, they augment the wealth of the nation. The inevitable effect of such measures is

to produce poverty, pauperism, and national distress.

The great object of government, should be to preserve as perfect an equality of rights and property, as possible, consistently with the natural inequality of power among men. Laws of primogeniture, entail, limitation, and every other law, which tends to accumulate wealth, and perpetuate it in particular families, is in direct violation of this principle.

It is necessary to civil government, that men should have exclusive property in the earth, and it is perhaps, expedient, that a man should transmit his possessions to his posterity; but not that he should have any power or control over the earth, after he has become a part of it. It is not a natural right to devise land, nor would the best interests of society authorise this to be done, were it not that, as a general rule, parents will divide their property equally among their children. If parents were in the habit of making an unequal division of their property among their children, the law of devises ought to be abolished altogether; not on account of the children who get the smallest portions, but on account of the public good. It is natural law, and the best interests of society require, that all the private wealth

in a community, should be resolved into the general mass, at least once in every generation. One generation has no right to make a distribution of this earth, or exercise authority over it in perpetuity.

It is not practicable, I know, actually to resolve the exclusive property of individuals into the general mass once in every generation; but this should be done, as nearly as practicable; which is, to divide it equally among all the children of the deceased proprietor. The object of this is, to preserve the natural equality of rights among men, and to prevent individuals from acquiring that unnatural power, which inordinate wealth bestows.

A great portion of the evils in society arise from a too unequal division of property.—This unequal division, is mainly produced, by unequal laws, which tend to accumulate property in individual hands; and perhaps, more than any other, the laws of entail and primogeniture, tend to produce this effect: and wherever parents show a disposition to make an unequal division of their property among their children, the law of devises ought to be abolished; and the laws of primogeniture and entails ought never to exist in any

country. These laws have produced more pauperism in England, than the public debt.

An unequal division of property, produced by unequal laws, encourages idleness, luxury, and dissipation in one part of the community, and produces dejection, discouragement, moral degradation, and pauperism, in another part. It is as true in regard to the race of industry and enterprise, as in regard to every other race, that the more upon an equality, are all the competitors, the greater will be the competition between them.

"Above all things," says lord Bacon, "good "policy is to be used, that the treasures and mo- "nies in a state, be not gathered into few hands, "otherwise, a state may have a great stock, and "yet starve."

Such is, in a great measure, the present condition of England. The annual product of British industry, is no doubt abundantly sufficient to supply all the people with the necessaries and comforts of life, provided there was any thing like an equal and just distribution of it; but, in consequence of laws of primogeniture, entail, and other laws, tending to accumulate property in the hands of individuals; one man possesses a revenue of a hundred thousand pounds a year, and a thousand others are in want of the necessa-

ries of life, without the means of obtaining them, by their own industry. One class of citizens are wallowing in wealth, and rioting in luxury, while another class is oppressed by poverty, and depending on charity for subsistence.

Such will never be the effect of an adherence to the laws of nature, as far as practicable in civil government. If once in every generation, all the property in the kingdom, had been equally divided among all the children of the proprietors, there never could have been any such overgrown estates. The natural equality of men would have been preserved, at least, to a very great extent. Every man would have depended, in a great degree, upon his own industry, for his enjoyment of the necessaries and comforts of life: and there would have been such an equality in the distribution of the product, as to have afforded each one a comfortable share. The idle, luxurious, and dissipated, would have borne a much smaller proportion to the industrious; and the product of industry would, consequently, have been augmented.

This product consists of the necessaries and comforts of life, and the abundance of the necessaries of life, depends on the proportion which exists between the number of people, and the

quantity of labour bestowed in producing the necessaries of life; or, what is the same thing, upon the proportion that exists between the quantity of labour employed in producing the necessaries, and in producing the comforts of life.

Suppose a nation to contain a million of people, two hundred thousand of whom are labourers. If a hundred and fifty thousand of these labourers are employed in producing the necessaries, and only fifty thousand in producing the comforts of life, food may be very abundant; but if a hundred thousand are employed in producing the comforts of life for home consumption, food will be much less abundant; if employed in manufactures for foreign consumption, food may be as abundant in one case, as in the other. So that the abundance of food, and consequently, the increase of population, will always depend materially upon the proportion that exists between the quantity of labour employed in producing the necessaries and the comforts of life.

The absolute quantity of labour, will always materially depend on the equal. or unequal division of property. Men of overgrown wealth, do not labour, and the more men there are of this description, the fewer labourers of course. The more unequally property is divided, the greater

proportion of labour will be employed, in producing the comforts and luxuries of life.

Wealth gives a man a right to a portion of the product of labour, in proportion to its amount. But a rich man cannot well eat more than a poor one; it requires about the same quantity of food to support the human frame, in health and vigour, in all climates, and in all conditions of life. The rich man, therefore, whose share of the product of labour, is five hundred times greater than he can himself consume, in the shape of food, must contrive some other way to consume it. He will, therefore, employ, in one shape or another, four or five hundred labourers, either in his own or foreign countries, to furnish him with what he calls comforts, elegancies, and luxuries of life. This is, no doubt, much better than it would be, to hoard up his revenue; but it would be better still for the nation, and for mankind in general, if his fortune was divided among a score, or a hundred people, which would have the effect to divert a portion of this labour, employed to gratify the appetite and vanity of this individual, to the production of the necessaries of life, which would make food proportionably more abundant, and enable population to increase proportionably faster.

The restraints upon the increase of population, do not ordinarily arise from any incapacity in the earth, to produce food, or from any natural inability in man to procure it; but from a thousand artificial causes, which grow out of civil society, and which begin to operate almost as soon as society is formed. Actual want, or necessity, operates directly, upon a very small portion of society, in repressing their increase. There are very few people in any civilized country, who starve, or whose increase is repressed by the actual want of food; but there are multitudes in every country, especially in all old countries, where property is very unequally divided, whose increase is repressed by their artificial wants, or want of those things, which, from habit, and the customs of the country, they have come to consider as essential to their happiness; and these are always in proportion to the unequal division of property. This is a principal reason, why population does not increase so fast in old countries, as in new. Artificial wants produce their effect in restraining the increase of population, long before actual want begins to operate.

The want of food, is indeed, an impassable barrier, but it is placed on the very confines of human existence, and represses only the flanks

(if I may be allowed the expression) of population. Our artificial wants are only imaginary, it is true, but they have no limit, they increase by indulgence, may be multiplied indefinitely, and although less inexorable and terrible in their operation, are, nevertheless, vastly more efficient in their execution, than actual want.

The effect of the want of food, in restraining the increase of our species, may be compared to the effect of old age in destroying them. It is sure to give the finishing stroke—to do all the work of destruction, that is left undone by other agents, and yet the work it does, is trifling in comparison to what these other agents do. Where old age destroys one, thousands are destroyed by diseases, which are merely accidental, and for whose agency, there seems to be no necessity. So actual want of the necessaries of life, is sure to cut off, with relentless severity, every human being, who intrudes upon his dominions, and thus keeps down population to the supply of food; but, in effect, it operates much less powerfully, in repressing the increase of population, than artificial wants, for whose agency there seems to be no necessity. This is a wise provision of nature, to prevent the world from becoming too fully peopled.

Any one may form a clear conception of the force of artificial wants, in restraining the increase of population, by comparing the wants of different classes of society; the wants of people in different sections of the same country, and the wants of the people in the same country, in different ages.

If all the labour, in any country, was employed in producing the necessaries of life, there would be no restraint, at least for many years, on the increase of population, arising from the want of food. In time, there would be, because the power of procreation in the human species, is much greater than the capacity of the earth to yield food.

It is well for mankind, that there are other motives besides the fear of over-peopling the world, to restrain men from increasing their species. These other motives originate in self, and therefore, will be sure to have their effect. A philosopher may, if he chooses, refrain from marrying, from a fear of contributing towards overstocking the world with inhabitants, and he may teach others to follow his example, but there is very little danger, that either his example, or his precepts, will have much effect. So cheerless a doctrine, will not be likely to make much progress

in the world, and it would be a pity, that it should. A man of plain common sense would very much regret to see the world overstocked with inhabitants, as misery and starvation would be the consequence; but as such a catastrophe never has happened in any country, he sees no reason to fear, that it ever will happen; and he furthermore sees an abundance of both physical and moral causes, to prevent such a catastrophe, without resorting either to wars or starvation, for the purpose of destroying mankind; or teaching the still more comfortless doctrine of celibacy, for the purpose of preventing the increase of our species.

While on the one hand, he encourages, to a reasonable extent, the production and enjoyment of the comforts of life, and in that sees a wholesome restraint on the increase of his species, arising from man's own selfishness, he would on the other hand, discourage the production and consumption of an unreasonable portion of the comforts and luxuries of life, because in that he sees an unnatural and undue restraint on the increase of his species. He will also perceive, that a proper medium is most conducive to national wealth, and that this proper medium depends greatly on the division of property. In propor-

tion as property is unequally divided, in the same proportion will labour be diverted from the production of the necessaries, and employed in the production of the comforts and luxuries of life; and an unequal division of property, therefore, produced by unequal, unnatural, or unjust laws, must have an unfavourable influence both upon national wealth, and power—it will not only cause poverty and pauperism, but a diminished population also.

But an unequal division of property, produced by the exertion of unequal talents, industry, strength, and skill, is highly beneficial to national wealth. An inequality, thus produced, answers the same purpose, in political economy, that high prizes do in a lottery. If all the prizes in a lottery, were of equal value, no man would adventure his fortune in them. So, if a perfectly equal division of property were to prevail, in spite of the exertion of talents, industry, and skill, there would be no motive for their exertion. All enterprise and competition would be checked, and a universal paralysis would pervade the energies of the body politic. There would be a total stagnation of industry and enterprise. Nothing but absolute necessity, would stimulate men to labour; and mankind would sink again

into a state of savageism. Such would be the consequence, if the theories of Godwin, Condorcet, and other visionary dreamers about a state of perfect equality, were to be carried into effect.

On the contrary, if all the high prizes in a lottery were to be appropriated by the managers to certain individuals, nobody would adventure their fortunes in them; and in proportion as this is the case, the ardour of enterprize is checked. So in political economy, if all the great fortunes are secured directly, or indirectly, to particular individuals or families, it produces discouragement and despondency: and an unequal division of property, from whatever cause, has this further necessary evil attending it, that of causing a degree of poverty and pauperism, corresponding to the unequal division.

But where fortunes are not suffered to accumulate from generation to generation.—Where on the death of each proprietor, his property is comparatively, resolved into the general mass by being divided equally among all his children; the unequal division can never become so great, as necessarily to produce any very great share of pauperism and distress.

The laws of nature, are all in harmony with each other, and if strictly adhered to, and fol-

lowed, never lead to any absurdity, or produce any pernicious consequences. They are liable, however, to be abused and perverted, by the indiscretion, folly, and wickedness of man. It is not in pursuance of natural law that one man exercises power over the liberty of another; nor that one portion of the human family should possess the whole surface of the earth, to the perpetual exclusion of another portion.

A principal desideratum in legislation, should be, to preserve the personal independence, or as it has been termed, the *individuality*, of the citizens, in all cases, except family dependence. The only way in which this can be done, is, by preserving the natural equality of men. Wealth is power, and the more unequally property is divided, the greater will be the power of one class of citizens over the destinies of another, and usually the larger class. This creates personal dependence, and produces to a certain extent, the condition, if not physically, at least morally, of lord and vassal, master and slave. The pernicious effects of this species of dependence, are even greater than that of vassalage. It is attended with all the moral evils, without any of the moral benefits of absolute servitude.

In the case of lord and vassal, master and slave, there is a sort of mutual dependence. It is as well the interest, as the duty of the lord, not only to protect and support, but also to direct and control both the industry, and the moral character of his dependents. But such is not the case, where dependence grows out of an unequal division of property, in the present state of improvement in the arts. The advantage is then all on one side. The rich nabob feels himself under no obligation, to support and protect the poor; nor has he any power to direct their industry, or control their vicious propensities.

The poor, unable to maintain their independence, and finding it impossible to enter into any thing like an equal contest, with the enormous power of the rich, become disheartened, debased in character, and depraved in morals. Their moral energies are destroyed—their pride of character is lost. They sink into hopeless despondency, and are content to live upon charity, and become drones in society; or they resort to some more criminal method of obtaining a livelihood. The only way in which this can be prevented, is by dividing the overgrown fortunes as frequently as possible, and in that way prevent their being augmented and perpetuated in the hands of a few.

This is not, however, to be done by any forced act of division, or the remedy would be worse than the disease. All that can be done, is to leave things to their natural course, and not aggravate the evil, by laws calculated to favour the accumulation of large fortunes; or where an unnatural disposition is evinced, of not making an equal division among children, or of exercising power over it in the grave; such a disposition should be corrected, by abolishing the law of devises. No man has a natural right to devise his property. He has a right to use the earth, while he lives upon it, but when he descends to the grave, it belongs to somebody else. The right of devising property, is a conventional right, and it may well be doubted, whether the community derives any benefit from it. It certainly may be made the instrument of much mischief, especially in a country where a more equal division would take place without it.

If those who possess the whole surface of the earth, and all the property in the community, would always enable the poor to obtain a subsistence by their labour, an unequal division of property would not, necessarily, produce pauperism, and the other evils we see existing in society, as consequences of such unequal division.

CHAPTER III.

Of Pauperism and Poor Laws.

No subject relating to the science of political economy, has excited so much interest and attention of late years in England, as that of pauperism; and in this country it is beginning to make a conspicuous figure in our political discussions. It is a subject of the first importance, both as regards its influence upon the moral character, and upon the happiness and prosperity of a nation. It cannot with any propriety, be said, that a nation enjoys a very great degree of national wealth, when a large portion of its citizens are destitute, not only of the comforts, but also of the necessaries of life.

The magnitude to which pauperism has arisen in England, has greatly excited the apprehension and alarm of the public spirited men

of that country. In reading their periodical publications, one would be led to suppose, that an universal terror pervaded the nation, in consequence of the rapidly increasing evil of pauperism; and not only the solitary, but the combined efforts of men of the most eminent talents, of the most extensive erudition, of the most patient research, and of the greatest experience, have in vain sought for the "causes and cure of "pauperism." But the labours of pamphleteers, reviewers, and parliamentary committees, have been alike unproductive, because fruitless, upon this subject. They have not yet discovered, nor made any approaches towards discovering, the cause of pauperism; and until they discover the cause, we may be very sure, that their political pharmacopoeia, however voluminous it may be, will never enable them to make such an admixture of drugs, as will cure the disease.

The most prevalent opinion at present in England, seems to be, that the pauperism of that country, has been mainly produced by a couple of statutes passed in the reign of Elizabeth, providing a compulsory assessment upon the different parishes in the kingdom, for the support of the poor.

They do not pretend that these statutes are the sole cause of their pauperism, because every one knows, that the old, the infirm, and the sick, who depend on their labour for subsistence, must be paupers in all countries and under every system. The amount of their doctrine seems to be, that these statutes and the manner in which they have been administered, have had the effect of making paupers of all "strong beggars, per- "sons whole and mighty in body," or in other words, of all those who have health and strength to labour for subsistence. These statutes, they tell us, by making provision for a compulsory assessment upon the property of the parishes for the support of the poor, "have relaxed the na- "tural excitements to industry and foresight, "and thus multiplied the instances of wretched- "ness, beyond the power of relieving them; "that they have relaxed the obligation of rela- "tionship, and thus, for the substitution of cer- "tain regulated services, withdrawn from the "helpless, the far kindlier and more effective "services of their own kindred or their own "offspring.*

It is, however, unnecessary to state the reasoning on this subject, at length; it is familiar

* Edinburgh Review.

to every man who has been in the habit of reading the popular publications in England, during the last twenty years. The most concise and comprehensive statement of the doctrine, which I can make, is, that every man who enjoys health and strength, is capable of providing himself with the necessaries of life by his own labour, and therefore it is not only unnecessary, but injurious, both to the recipient and the public, for the public to make any provision for supplying him.

If this proposition be sound, then the statutes of Elizabeth may properly be said to have caused all the sturdy paupers in England. But I am much mistaken if this proposition be not erroneous. The English method of supporting their poor, by compulsory assessments upon parishes, no doubt may be attended with evil consequences. It may have an injurious moral effect upon the character of paupers, and it may, in some degree, increase their number. The method of supporting paupers by parish assessments, may have increased the virulence of the disease of pauperism, and it may have increased, in some measure the quantity of the disease, if I may be allowed such an expression, but it is not the cause of it, nor will it be possible to cure the disease by removing this cause.

As the pauperism of those who have health and strength to work, is often involuntary, so also it proceeds from an entirely different cause from the one to which it has been usually attributed, and so long as that cause remains in its present magnitude, the disease of pauperism will remain in very nearly the same magnitude, modify it how you will.

By paupers, is meant those who have not the means of supporting themselves, either from property, or by their own industry, but are obliged to rely upon the bounty of individuals or the public, for the whole or some portion of their subsistence.

A very large portion of every community must necessarily be destitute of property, and must therefore depend solely on their labour for subsistence. Whenever from age or infirmity, this class of people are unable to labour, they must become paupers, and depend on the bounty of others for subsistence. In every country there must be a numerous class of people of this description, and respecting the propriety of making provision for the support of such persons, it would seem that there could not be two opinions.

But besides these, there is a large class of people in England, who are able to work, but who

nevertheless receive assistance from the public as paupers, and the question is, whether such persons are ever necessarily paupers, or whether they are not always paupers from their own default and want of disposition to labour. If with a disposition to be industrious, the healthy and the strong were always able to acquire the necessaries of life by their labour, then no provision ought ever to be made for their support, but they should be left to the alternative of working or starving. But with the system of political economy which prevailed in England at the time the statutes of Elizabeth were passed for the support of the poor, and with the system that has ever since and now prevails in that country, it is utterly impossible for the healthy and the strong, always to obtain the necessaries of life by their industry, and therefore it was the indispensable duty of government to adopt some compulsory system for the support of those who could not support themselves.

The unequal division of property in England is the cause of the pauperism of that country. I mean of course, the pauperism of those, who have health and strength to work. Pauperism is the necessary consequence of an unequal division

of property, and must, in all countries, and under all circumstances, be in very nearly the same proportion with that unequal division.

Full justice could not be done to this subject, without writing a volume, nor without a more abundant supply of both materials and time than I have at my disposal. All I have in my power to do at present, is to give an abstract view of the principles which govern this subject. An analytical examination of different nations and countries would, perhaps, be a more satisfactory mode of reasoning, to those who place more reliance upon facts than upon principles, but principle corroborated by the particular history of every country, so far as we have a knowledge of their history, ought to satisfy every man.

A certain degree or portion of pauperism must necessarily exist in all countries, because an unequal division of property must necessarily exist, to a certain extent, in all countries. Nature intended that this should be the case, or she never would have made men unequal in strength, capacity, and power.

"The poor, always, ye have with you," was said by Him, who needed no instruction, as to what was always to be the condition of this world. But although nature intended there

should be an unequal division of property, and consequently that there should always be poor in every community and nation; yet she did not intend that their number should be increased by an unequal division of property, produced by unnatural and artificial means.

Although an unequal division of property is the sole cause of pauperism, yet it is not to be inferred, that a complete cure can be devised for this evil, admitting pauperism always to be an evil. We might as well expect to eradicate disease from the world, as to expect to eradicate poverty from it. All that can be expected on this subject, is, to correct its excess, and prevent it from destroying the body politic.

If an unequal division of property be a principal cause of pauperism, and this inequality in the division has been augmented, by artificial means, and unequal laws, then we may be very sure, that so long as this unequal division remains, the evil of pauperism will remain in its present magnitude in some shape or other; and that the only way in which the evil can be reduced within proper limits, is, by correcting the laws, which have produced the unequal division of property.

Poverty and pauperism are not the necessary consequence of idleness, nor vice, nor sickness,

nor old age; for we see many people who are idle, and vicious, and sick, and old, and who do not in the course of their lives, do a single thing, to produce either the necessaries or comforts of life, yet enjoy them in abundance all their lives. I do not say, that these causes do not often produce pauperism, but only that pauperism is not their necessary consequence. In other words, they are not cause and effect.

Neither is the enjoyment of the necessaries and comforts of life, the necessary consequence of industry, virtue, health and strength. These do not stand in the relation to each other of cause and effect. There are multitudes of people in the world, who are industrious in their habits, virtuous, prudent, and who also possess health and strength to labour, and yet are destitute of the necessaries and comforts of life, and of the means of procuring them. It may be admitted, that this is not ordinarily the case, but we all know that it often is the case, and if all the people were ever so industrious, and moral, it would not follow, that in a country where property was very unequally divided, those who had health and strength to labour, would not often be in want of the necessaries of life.

The necessary consequence of an unequal division of property, is a corresponding inequality in the division of the product of labour. The very object of property is to enable the possessor to procure a proportionable share of the necessaries and comforts of life, or of the annual product of labour.

The true way to estimate the value of property, is by the revenue it will yield, or the amount of the necessaries and comforts of life the owner can obtain for its use, or the share of the annual product of labour it will enable him to procure. Those who possess the whole surface of the earth, and all there is on it, must also possess all the fruits of the earth, which constitute the sustenance of all mankind.

The fruits of the earth, or the annual product of labour are not sufficient to supply the wants of men, nor is it possible in the nature of things, that they should be sufficient for their supply. The wants of men are indefinite and unlimited. If a man's possessions are doubled, he wants them trebled, and if trebled, he wants them quadrupled.

Man's wants are not confined to the necessaries of life, or to what may be termed his natural wants. As soon as these are supplied, artificial

wants spring up, which must also be supplied, so far as he has the power of supplying them; and these may be augmented indefinitely, and are always sure to exceed his power of supplying them. These are all to be supplied out of the annual product of labour, and the power of supplying them, depends upon the amount of property he possesses. The product of one man's labour may be adequate to supply the natural wants of five men; but it may require the product of the labour of five hundred or a thousand men, to supply the artificial wants of one man.

This is a wise provision of nature to keep men at their work—to prevent them from being idle, and to compel them "to eat bread in the "sweat of their faces." This furnishes the motive for industry and enterprise; and is in fact the operating cause, which has reclaimed mankind from barbarism, and produced all the improvements in civil life. This principle, therefore, is salutary in its nature, and ought to be fostered and preserved; but like every other principle, it is liable to abuse; and one great object of government should be to prevent its abuse, and preserve its salutary operation.

If then, it be true, that an unequal division of property, produces a corresponding inequality

in the division of the product of labour, or of the necessaries and comforts of life; and if it be also true, that the annual product of labour is not adequate to supply the natural and artificial wants of men, it follows as an inevitable consequence, that pauperism in one shape or another, must prevail in proportion to the unequal division of property.

That this will be the case to a fractional exactness, is not pretended; particular causes may have their effect in increasing or diminishing the number of paupers, at particular times, and in particular countries. I mean merely to assert the general doctrine, that pauperism depends on the unequal division of property, and will, as a general rule, be in proportion to that unequal division. It will then follow, that the only effectual remedy for the evil of pauperism, is such a modification of the laws of a country, as shall produce a more equal division of property.

If the annual product of labour, be a given quantity of the necessaries and comforts of life, adequate, we will suppose, to the comfortable support of all the individuals of a nation, provided there should be an equal distribution of it; if one-fourth of those individuals get possession of, and consume three-fourths of that produce, then

the other three-fourths can only have one-fourth of the produce for their support. This is as true, as that the whole is equal to all its parts.

I know that it does not necessarily follow, that because one man is rich, others must be paupers. An equal division of what remains of the product of labour, after the share of the rich man has been deducted, will, no doubt, give each one such a share, as to enable him to support life, without any assistance from the bounty of others; and it might, after the shares of a hundred, or a thousand rich men had been deducted; but there never was, and never will be, an equal division of the remainder, after these great fortunes, or great shares, have been deducted. The same unequal division must and will prevail throughout; it was never known to be otherwise, unless in those arbitrary governments, where there are but two classes of people—the tyrant and his nobles, who possess all the wealth; and the slaves, the people, who not only enjoy the necessaries of life, but life itself, at the will and pleasure of their masters.

In countries, where there is a tolerable share of freedom, there is but one class of people, among whom equality prevails, as it regards their portions of the necessaries of life, and that

is the class that stands upon the very brink of starvation. There is another, and a larger class, who are upon an equality as to property, and that is the class who have no property at all. This class possesses no artificial power of acquiring the necessaries and comforts of life. In this respect, the individuals composing this class, are below the average, or natural grade of men; for if the surface of the earth was equally divided among men, each man would have some.

But although this class is upon an equality with each other, in this respect, and below the natural grade, as it regards property, or artificial power of acquiring the necessaries and comforts of life; yet in regard to their natural powers, there may be, and indeed, always is, a very great inequality among them. One may have more strength, more talents, more skill, more industry, more character, than another; and upon all these will their capacity for acquiring a portion of the annual product of labour depend, which causes a still greater inequality in the division.

Suppose the product of labour to consist exclusively of the necessaries of life, and that product to be just equal to the support of all the people. If one man should obtain a double share, then the unsupplied wants of some one.

or all the others, would be equal to the share of one man; and if one man should obtain an hundred shares, then the unsupplied wants of the others, would be equal to the supply, or to what would be necessary for the supply of a hundred, or rather, of ninety-nine men; and if each should obtain his share, except the ninety-nine, then they must either starve, or depend upon the bounty of others for support—they would become paupers. After the man had taken out his hundred shares, there would be a contest of talents, strength, and skill, for the remainder; but as there would not be a sufficiency for all, the lot of want and starvation must fall somewhere. If there be some who have two shares, others five, others ten, others twenty, others fifty, others a hundred, and others a thousand, as we see to be the case, in the division of property, and consequently in the division of the product of labour throughout every society, though to a much greater extent in some societies than in others; it will follow, that a proportionate number must be wholly deprived of the means of subsistence, and must either starve, or live upon the bounty of those who have more than is necessary for their support.

It is true, that this sort of mathematical precision never takes place in the distribution of the

necessaries of life. Nature in her operations, is not governed by any mathematical or metaphysical rules. These are only useful in aiding the weak and feeble reason of man. Admitting that the product of labour is just adequate to the support of the people, and still some may obtain more, and others less, than their average share, without producing pauperism; but such an unequal division must produce want and distress some where.

But the product of labour is more than sufficient to supply the people with the necessaries of life, for it supplies them with a large portion of the comforts also, and it may possibly be said, that an unequal division of property, only produces an unequal division of the comforts of life, and does not therefore necessarily produce pauperism.

If this were so, I admit that pauperism would not be the necessary consequence, even as a general rule, of an unequal division of property. Is it then true, that an unequal division of property, only has the effect of producing an unequal division of the comforts of life? Are the necessaries and comforts of life distributed according to different rules? Has nature provided different laws for their division?

In order to ascertain this, we must observe the operations that are constantly going on in society, and remark the manner in which the annual distribution of the product of labour is made.

A distinction must be made between those who obtain a portion of this product, in consequence of the property they possess, and those who obtain a portion as a reward for their labour. This distinction is not conjured up, for the sake of the argument, but it exists in the nature of things. Those who own the whole surface of the earth, and all that is on it, are entitled to all the fruits of the earth, that is, the whole product of labour, in the first instance. Those who own no property, are not entitled to any portion of the fruits of the earth, except as a reward for their labour.

If, from any cause whatever, either the want of inclination, ability, or employment, they do not labour, they will be entitled to no portion of the product of labour, unless it is gratuitously bestowed upon them by those to whom it belongs. Such is not the case with the man who owns a portion of the surface of the earth—he will be entitled to its fruits, whether he labours or not. Those fruits, it is true, will be very scanty, unless he either labours himself, or hires somebody to

labour for him; but still he will be entitled to a portion of the product of labour without labouring himself.

It does not, therefore, depend upon the will of the man who has no property, whether he shall have any portion of the product of labour; but upon the will of the man who has property. If those to whom the whole surface of the earth belongs, choose to say that those, or any portion of those, who have no property, shall not labour; or, in other words, if they do not choose to employ them, they will, by the established laws of property, have no legal right to any portion of the product of labour; and must starve unless supported by the bounty of others—they must become paupers. This is the case, both with regard to the necessaries and comforts of life. Both are distributed upon precisely the same principles. The whole is distributed upon the principles, or laws which apply to property.

But as the principles which apply to property are primary in their operation; and those which apply to labour merely secondary; it follows, that the whole must, in the first instance, be distributed according to the laws of property, and must therefore be in proportion to its unequal division.

After the portions of those, who obtain more than an average share are deducted; or rather, after the product of labour has been divided among the property holders, according to their respective portions of property, and they have appropriated such portions of it, as they see fit, for their own consumption; the balance is to be divided among those who have no property. Here another division is to be made upon principles which apply to labour, talents and skill; there is not enough, nor can there be enough, to supply the wants of all, and therefore each must obtain what he can. Those who have the most strength, most talents, most skill, most industry, most character, most good fortune, will obtain the greatest share of what is left. Some will obtain shares equal to the shares of large property holders. In proportion as some get more, others must get less; and so the shares grow less and less, from the top of society to its base; and those who are last will get none at all, unless they obtain it from the bounty of the more fortunate, and therefore they become paupers.

If the rich, or the property holders, were obliged to accept of the labour of the poor, and to give them a portion of the necessaries of life, adequate to their support, as a reward for their

labour; or if they would voluntarily do this, then pauperism would not be the necessary consequence of an unequal division of property. Then a man who had health and strength, and a will to work, could always procure the necessaries of life by his labour, and there would be no necessity, either for the public, or for individuals, to make provision for "sturdy beggars."

The only way in which this can be done, is by making consumption tread hard upon the heels of production. If the rich will consume all the product of the labour of the poor, or in other words, always employ them, and give them the necessaries of life in exchange for their labour, all pauperism may be banished the country, except what is produced by sickness, infirmity and old age.

If the product of labour could be augmented to an indefinite extent, or be made to exceed the wants of mankind, then an unequal division of property, would not necessarily produce pauperism; but every one knows that there is no limit to the wants of man, and that every man will appropriate to himself, all he can lawfully obtain, and many a great deal more. There are, to be sure, many prodigals, who will not only spend the whole of their revenue, but also as

much of the revenue of others, as they can get; and thus reduce, not only themselves, but their neighbours to beggary. This is an evil, however, out of which arises some good. These persons give employment and support to certain classes of people, and prevent accumulation; but the same revenue expended prudently, according to the strict rules of economy, would give employment and support, to much more useful classes of people.

But all the good arising from prodigality, is more than counterbalanced by the evil arising from avarice and parsimony. Those who hoard up for posterity, are themselves guilty of inflicting pauperism, in a greater or less degree, upon the present generation, while they enable their posterity to inflict pauperism upon future generations.

They inflict pauperism themselves by refusing to give employment to those who have no property, so as to enable them to live by their labour. According to the laws of property, a man may not labour on another's land, nor in his manufactory, nor on board his ship, without the permission of the owner; nor can he labour there, unless the owner will give him the necessaries of life for his labour. The owner will not give him the necessaries of life for his labour, unless

the product of labour will sell for somewhat more than enough to defray all expenses. This it will not do, unless the article produced by the labour is wanted for consumption, or if the market is overstocked. Whether a labourer, therefore, can obtain employment, depends upon whether those who have the means, will consume the product of his labour. The manufacturer will not give him food for making cloth, which he cannot sell. The farmer will not permit him to raise corn upon his land, unless he can sell that corn for somewhat more than it costs to raise it. How often do we see this reasoning exemplified in England, and even in this country!

It seems to be generally supposed, by writers on this subject, that every man may work if he pleases, notwithstanding the unequal division of property; and yet we see multitudes of instances every day, of men who are able and willing to work, but who cannot obtain work. No reasoning is necessary to prove that a manufacturer will not give labourers even their food, to make cloth for him, if the cloth will not sell for as much as the cost of making it. We all see and know, that the property holders in Baltimore will not employ the mechanics to build houses for

them, if those houses will not rent nor sell for as much as it costs to build them.

But although we see that this is the case in particular branches of business, we are apt to suppose it not the case in all; and that if men cannot find employment in one branch, they may in another. Agricultural labour, it is said, will always produce as much, or more, than the labourer consumes, and is never necessarily a losing business, either to the land owner or labourer, and therefore those who have not employment in other branches may always find it in this.

To a certain extent this may be ordinarily the case, but it is by no means always the case. It might be a very losing business for a farmer to employ a sailor, or weaver, or tailor, to raise corn for him, even at the price of the necessaries of life, which they would consume while employed. But it is ten to one, that half of these people would starve, before they would think of going to the farmer for employment.

The farmer, however, may not choose to have his land cultivated, even though the production might somewhat exceed the expense of cultivation. He has probably already as many labourers as are necessary to cultivate his lands according to his present mode of cultivation, and he does

not care to adopt a different mode, merely for the purpose of giving employment to the poor. He will probably prefer to convert a part of his lands into parks and pleasure grounds, for his own amusement. Without the consent of the proprietor the labourer may not toil.

In such a state of things the only alternative for the poor man, who is willing to work, is to exercise his ingenuity, in creating some new artificial want in the rich, for the supply of which, he will give him bread. If he is successful in inventing a new piece of luxury, he is a happy man, and may save himself and family from the alternative of starving, or living on the bounty of others.

In the present state of statistical knowledge, it is not possible to ascertain, with precision, the relative proportion between the unequal division of property and pauperism in different countries, and in different ages of the world. It would be a most auspicious thing for the science of political economy, if statistical tables could be formed, showing the extent of pauperism in different countries, and the proportion it bears to the unequal division of property; and a writer who shall collect and arrange the historical and statistical knowledge upon this subject, in a manner some-

what similar to what Malthus has done upon the subject of population, will render it an important service to the science of political economy.

So far as our historical knowledge upon this subject goes, it will be found to corroborate the doctrine, that pauperism, or dependence upon the bounty of others for support, (for it is the thing, and not the name, to which I allude,) is always in proportion, or very nearly in proportion, to the unequal division of property. This ever has and ever will be the case in all countries, and in all ages, and to suppose that a part of a community can be immensely rich, without producing a corresponding degree of poverty and pauperism, is not less absurd, than to suppose the whole to be less than all its parts.

"Wherever there is great property, there is "great inequality. For one very rich man there "must at least be five hundred poor, and the "affluence of the few supposes the indigence of "the many."*

Individual wealth, I admit, does not necessarily produce pauperism, where each individual expends the whole of his revenue in supporting the labouring poor, by consuming the product of their labour, and giving them in exchange the

* Wealth of Nations, book v. chap. 1.

necessaries of life for it. This, however, is not to be expected, so l g as avarice constitutes a trait in human character.

The subject of controversy is not pauperism in any particular form and shape, for its mode of existence, depends entirely upon the institutions of the country. In one country, it may exist in the shape of strolling mendicity; in another, in the shape of a sort of pensioned poverty; in another, in the shape of retainers, clients, dependents, in various shapes; in another, in the shape of feudal vassalage; and thus it may be modified indefinitely, according to the nature of the government, and the provision made for its support.

Pauperism, therefore, always presents two questions for the consideration of the politician. First, to what extent shall it exist.—Second, in what form shall it exist.

From the most authentic accounts we have of ancient nations, it appears that pauperism, as above explained, prevailed among them to a very great extent; and it would seem, was always in proportion to the unequal division of property. "The number of citizens," says Mr. Hume, "who "received corn, by the public distribution, [in "Rome] in the time of Augustus, were two hun- "dred thousand." If to this we add the number

of retainers, dependents, and slaves, who were supported by the wealthy, it will appear that pauperism prevailed to at least as great an extent in Rome, as it does in England.

If we examine the history of the middle ages, it will be found, that the same cause constantly and invariably produced the same effect. The villains, knights, and dependents, of various descriptions, were always in proportion to the unequal division of property, and it is, to this day, the same case in Russia and Poland. These persons as much depended upon the bounty of others, for subsistence, as the present paupers of England. They neither procured the necessaries of life, by their own labour, nor had they any thing to give in exchange for them.

"In a country," says Adam Smith, "which "has neither foreign commerce, nor any of the "finer manufactures, a great proprietor, having "nothing for which he can exchange the quarter "part of the produce of his lands, which is over "and above the maintenance of the cultivators, "consumes the whole in rustic hospitality at "home. If this surplus produce is sufficient to "maintain a hundred or a thousand men, he can "make use of it in no other way, than by main-"taining a hundred or a thousand men. He is

"at all times, therefore, surrounded with a mul-
"titude of retainers, and dependents, who, having
"no equivalent to give in return for their main-
"tenance; but, being fed entirely by his bounty,
"must obey him, for the same reason that sol-
"diers must obey the prince who pays them.
"Before the extension of commerce and manu-
"factures in Europe, the hospitality of the rich
"and the great, exceeded every thing of the kind
"which we can, at present, form a notion of.
"Westminster Hall was the dining room of
"William Rufus, and might frequently, perhaps,
"not be too large for his company. It was
"reckoned a piece of magnificence, in Thomas
"Becket, that he strewed the floor of his hall
"with clean hay, or rushes, in the season, in order
"that the knights and squires, who could not get
"seats, might not spoil their fine cloaths, when
"they sat down on the floor to eat their dinner.
"The great earl of Warwick is said to have en-
"tertained every day, at his different manors,
"thirty thousand people; and though the num-
"ber here may have been exaggerated, it must,
"however, have been very great, to admit of such
"exaggeration. A hospitality of nearly the same
"kind, was exercised not many years ago, in
"many different parts of the highlands of Scot-

"land. It seems to be common to all nations, to "whom commerce and manufactures are little "known. I have seen, says Dr. Pocock, an Ara- "bian chief dine in the streets of a town, where "he had come to sell his cattle, and invite all "passengers, even common beggars, to sit down "with him, and partake of his banquet."*

This was pauperism, though in a different form, as much as the present pauperism in England. The persons whom the old earl of Warwick supported, out of his immense revenue, were dependent on him for support, and therefore paupers, as much as those who now depend upon the present dukes of Bedford and Norfolk for support, or who are supported by the compulsory contributions levied upon their immense estates; and if they and the other men of immense wealth in England, would expend their revenues as liberally as the old earl did, there would be as little occasion for forced contributions now, as then; and the men of wealth of the present age, have this advantage over those old feudal barons. They are not required to give the necessaries of life gratuitously, for if they will but wear, and otherwise consume the product of the labour of the poor, and give in

* Wealth of Nations, book iii. chap. 4.

exchange the necessaries of life, it is all that is required; or if they will but let them work on their land, and furnish them with food and raiment, while thus employed, it will save the necessity of forced contributions for the support of "sturdy beggars;" but if they will not do this, these sturdy beggars must starve, or live upon charity.

The knights, squires, and dependents, of the old feudal barons, were, no doubt, a much higher order of beings than the present paupers of England; but this was owing to the character, manners, and occupations of the times, and not to those circumstances which constituted them paupers or dependents. This also shows, that there is some radical vice in the English government, or their system of civil polity; for when improvement in the arts and civilization, degrades men in the scale of being, instead of elevating them, we may be assured, that there is some perversion or abuse of the laws of nature.

In the United States also, we find that pauperism prevails in different parts, in proportion to the unequal division of property. There are more paupers in the cities than in the country, and fewer in New England than in any other part of the country; because property is more

unequally divided in the cities than in the country, and less unequally divided in New England, than in any other part of the country.

In proportion to the population and the annual product of labour, I believe I hazard nothing in asserting, that the number of paupers, or those who lived upon the bounty of others, was as great in England, and in Scotland, in the time of the Edwards and the Henrys, as at the present day; and that pauperism, neither then, or now, can be traced to any other cause, than the unequal division of property.

In days of old, and in an age of different manners and customs, this class of people was distributed among the great landholders, the rich men of the country, and occasionally, no doubt, rendered them some small service, which was considered an equivalent for their support. Such was the condition of the peasantry of Scotland, even down to a late period, and is even now the case, in a great degree, among the Highlanders.

Let the rich men in England divide the paupers among them, in proportion to the magnitude of their estates, and they will, for their support, render them as much service, as was rendered by the feudal vassals to their lords. If they refuse to do this, let them not complain of compulsory

assessments for the support of the poor. If they can, however, find a more eligible mode of supporting them, provided they do but support them, let them do so. So long as they are permitted to have an exclusive title to the surface of the earth, let them not complain that they are obliged to afford the necessaries of life to those who have nothing; especially so long as those who have nothing show a willingness to labour. Let them not say to a man willing to labour, "go elsewhere "and seek it, I have no employment for you;" for it is the duty of the rich either to bestow charity, or furnish labour.

Upon this subject we must be careful not to be deceived, as to what constitutes an unequal division of property. Property is more unequally divided in England, than in any country in Europe. I know it is generally supposed, that property is not so unequally divided in England as in France, Germany, Spain, and Russia. This is, however, a mistake.

There may be ten men in France, who possess more property than any twenty men in England, and yet property be more unequally divided in England than in France. The division of property means the whole property and not a part of it. If, after the shares of the ten rich

men in France are deducted from the whole mass of the annual product of labour, the balance is equally divided among the remainder of the people, it may give every one such a share as to elevate him above pauperism. But if, after the shares of the twenty rich men in England are deducted from the whole mass, the balance is very unequally divided among the remainder of the people, it may reduce a host to pauperism. This is precisely the case of England, when compared to the other countries of Europe. In England, the unequal division extends from the base to the summit of society. In the other countries, there are a few very rich, and the remainder are more nearly upon an equality. If then, paupers are more numerous in England, than in any other country in Europe, it can be accounted for, from the more unequal division of property. As there are more people in England, who enjoy more than an average share of the necessaries and comforts of life, in proportion to the whole population, there must also be more who enjoy less, and of course, there must be more who, at some seasons of the year, or at some periods of their lives, must depend upon charity for support.

In political economy, as in every thing else, men are extremely liable to be deceived by ap-

pearances. They look no deeper than the surface of things. They see an immediate cause of an evil; and they think by removing that cause, the evil will also be removed, without once reflecting that the immediate may not be the primary cause; and that the only consequence of their work, will be to change the form and shape of the evil.

The Scotch reviewers look upon the statutes of Elizabeth, providing a compulsory assessment for the support of the poor, as the cause of pauperism, and in this they reason about as wisely as the Scotch peasant did, who, observing that warm weather continued as long as the swallows remained in the country, concluded that by keeping the swallows in the country the year round, warm weather would continue the year round also, and set about catching the swallows for that purpose. Those statutes may have given pauperism its present form, but they are no more the cause of pauperism, than swallows are the cause of summer.

These learned gentlemen perceive that those statutes give the present form and shape to pauperism, and therefore conclude that they are the cause of it. They would have us believe that every man with health and strength may, if he

will, earn his own bread, and that you have only to apply the spur of necessity to him, in order to make him do this; or by improving his habits and morals, which will make him scorn to live upon charity, you at once give him a capacity to acquire the necessaries and comforts of life, without the aid of public or private charity. These writers never ask themselves what would be the consequence, the present unequal division of property remaining, if every man in the kingdom, was as industrious and moral as he might be, or as they could wish. They never consider that pauperism is the effect of an inequality in the power of men to obtain the necessaries and comforts of life, and that if A. possess a power which equals one hundred, and B. a power which equals ten, and each is increased tenfold, the relative difference between the power of the two remains the same.

Improving the habits and morals of the poor would no doubt, have a tendency, in some degree, to restore the original equality among men. It would lessen, in some degree, the difference that now exists, between the rich and the poor, as it respects their capacity to acquire the necessaries and comforts of life. Laziness and vice destroy the natural powers of man, and equality is as

effectually destroyed, by diminishing the weight in one scale, as by increasing it in the other, but if the weights in each scale be either increased or diminished, in the same proportion, the same inequality will remain. In this particular the rich and the poor may be considered as the opposite ends of a beam, balanced upon a pivot. In proportion as one end is raised the other must sink. If then the habits and morals of the whole community were raised in the same proportion, the same inequality would remain; and the number of those who depended on the bounty of others for support, would be as great as at present.

Suppose some of the present paupers in England, had lived four centuries ago, with their present skill in the arts, and in agriculture. Would they have found any difficulty in procuring the necessaries and comforts of life? On the contrary, they would have possessed a power which would have enabled them to procure them, in the greatest abundance. And why does not the same skill avail them now? Because the whole mass of population have increased their skill in the same degree, and property now produces the same inequality in power, that it did then.

Had our political philosophers of the present day, lived in those days, and could they have perceived the great augmentation of the power of the poor, by their skill and improvement in the arts, and in agriculture, they would have concluded, if they had reasoned as they now do, that nothing but this power was wanting, to banish for ever, dependence and pauperism from the kingdom; nevertheless, this augmentation of power has taken place without having any effect whatever in diminishing pauperism; but the complaint is, that it constantly increases, which is no doubt the fact, in proportion as the inequality in the division of property increases. Now they say, if the poor could be made industrious, economical and virtuous, it would cure the evil of pauperism, without once reflecting, that the same causes will produce the same effects, throughout the whole mass of society, and augment the power and capacity of the rich, as well as that of the poor.

This would, no doubt, change the character of paupers and pauperism. It would substitute virtuous, and industriously disposed paupers for vicious and lazy paupers, in the same manner that improvement in the arts has substituted skilful for unskilful paupers, but the one cause no

more than the other, would ever substitute wealth for poverty.

That paupers are lazy, unthrifty, and improvident; that a great portion of their want and misery is produced by their own vice and folly, is a lamentable truth; and it is equally true, that one of the best modes of relieving their wants, is by improving their morals, and correcting their lazy, vicious habits. This is an universal truth, applicable to all mankind.

Morality, virtue, and industry, are the best antidotes to misery in high life, as well as in low; but it does not follow, that improving the morals of the poor, would augment the annual product of industry, or cause it to be more equally divided, so long as the present unequal division of property remains. It does not follow, that improving the morals of the people, would increase the demands for labour, nor would it give those who from whatever cause did not labour, any title to a portion of that product. The demand for labour, probably, is not more effectually supplied, in the present state of morals, than it would be, in an improved state; and a farmer will not hire a poor man to raise corn for him, which he cannot sell for the expense of raising it, because he is poor and industrious. If he wanted

labour, he would, no doubt, give such a man the preference, over a vicious or lazy man; but if all were honest and industrious, there would be no preference upon this ground, and some would still be without employment. The product of labour might be adequate to the comfortable supply of all the people, provided any thing like an equal distribution should take place; but if the distribution was very unequal, which is the necessary consequence of an unequal division of property, the lot of want must fall upon some.

The prevailing errors of the day on the subject of pauperism, originated with Mr. Malthus, in his treatise on population. Malthus' theory of population is certainly ingenious and plausible, although it is calculated to leave very erroneous impressions on the mind of the reader, in consequence of his not having treated the subject in conjunction with others, with which it is necessarily connected. Although his theory may appear to be founded upon the principles of nature, and although it should be impossible to discover any flaw in his reasoning, yet the mind instinctively revolts at the conclusions to which he conducts it, and we are disposed to reject the

theory, even though we could give no good reason for rejecting it.

That the unrestrained power of procreation in the human species would, in process of time, become vastly greater than the capacity of the earth to yield them food, is an undoubted truth; and when there is not food enough for all, that one class of the community should propagate their species, without the means of supporting them, and another class be compelled by law to support them out of their own stock, seems repugnant to the laws of natural justice; and so far as the object of the laws, is the prevention of poverty and starvation, they must, according to this theory, necessarily be vain and ineffectual; for when it is admitted, that the power of procreation in the human species is greater than the capacity of the earth to yield them food, it follows, that it is utterly impossible ultimately to prevent want and starvation, by compelling one class of the community to furnish sustenance to another; for no sooner are the wants of one thousand supplied, than another thousand, and perhaps two thousand, in consequence of such supply, spring up, whose wants are equally pressing. They multiply like Hydra's heads. It may as well be expected, that a river can be dried up, by empty-

ing its water into the ocean, as that want and starvation can be prevented by compulsory assessments, and therefore, the conclusion is, that it is useless to make them, and unwise, and unjust to compel them to be made. This is the conclusion to which the theory of Malthus conducts us. But this conclusion is erroneous.

Malthus' theory presupposes that the present proprietors of the surface of the earth—the property holders of the kingdom, have a perfect, absolute, and exclusive right to their property—that they have no more than their just share—that no injustice has been done to the poor, in consequence of those unequal laws, that have caused the present unequal division of property—that it is the fault of the poor themselves, that they are poor, and have not the means of supplying themselves with the necessaries of life—that the present possessors of property have a natural right to exercise authority over it when in their graves, by entails and limitations.

If it be admitted, that all these principles are in perfect accordance with natural justice, or no greater infringement of natural law, than is necessary for the support of the social compact.—If it be admitted, that one half of mankind have a right to take exclusive possession of the whole

surface of the earth, and divide it as they please among their posterity, generation after generation; that they have a right to contrive every species of machinery, for the purpose of augmenting their own power, and depressing that of the rest of the community, it might follow, that as it would be useless for the rich to attempt to prevent pauperism, by feeding the poor, therefore, it might be justifiable for them to decline doing it. But as I am not disposed to admit these principles, Mr. Malthus must prove them before his conclusions will follow.

If, in consequence of unequal laws, the poor are in a worse condition, than they would have been with equal and just laws.—If, in consequence of these laws, the rich have more property, and a greater portion of the product of labour, than they would have had with equal and just laws, the rich will not be justified in withholding from the poor the necessaries of life, upon the ground, that it will ultimately be useless to supply them. It is their duty to do justice without stopping to inquire, what the consequence of doing justice may be. Let Malthus prove, that the rich men in England have not a greater share of property, than equal and just laws will entitle them to. and I will admit. that

justice does not require them to support the poor, and that it is not expedient to make provision by law for their support; because by doing so, they will not lessen the number of paupers, nor ultimately diminish the amount of suffering.

There can be no doubt, but that the annual product of English industry, is abundantly sufficient to supply the population of the country with the necessaries, and a reasonable share of the comforts of life, provided there was a just and equal distribution of it; that is, a distribution according to the laws of natural justice, so far as it is practicable to preserve those laws in the social state. and so long as this is the case, it does not become the rich man to say, that God has established such laws in regard to the increase of population, as that there must necessarily be want, pauperism, and ultimate starvation, and make that an excuse or pretext, for not making, if not an equal and just division of the product of labour, at least such a division, as for the time being, shall prevent starvation.

If Mr. Malthus will point me to a man, or to a class of men, who have no more property, or no greater share of the annual product of labour, than as just an administration of the laws of nature, as is practicable in the social state, will

entitle them to, I will admit, that those men are in justice under no obligation to give any part to the poor, except what the laws of benevolence and charity would require them to give to the sick and infirm. They would be under no obligation to give to a man that was able to work, any more than a strong man, or a man of talents is under obligation to share these natural endowments with those who have less.

But in making these admissions, I shall require Mr. Malthus to admit, that a man who has more than his share of the product of labour, in consequence of unjust or unequal laws, is bound by the laws of justice, to divide the excess, or at least a part of it, with those who have less than their share, as much as a man is bound by the laws of justice, not to keep his neighbour's property, although he may have the power.

It is very convenient and very palatable for those who have all the property, to preach up the inutility of making provision for those who have none; and with them a theory of population, or a system of political economy, which establishes such a doctrine, would be likely to be very popular, and by taking half views of a subject, or one branch of a system of political economy, as Mr. Malthus has done, there will be little difficulty

in establishing almost any doctrine on almost any subject. But all half views of subjects are necessarily imperfect, and no conclusions to which they lead, can be relied on.

After the incessant clamour,* which has for many years past been kept up in England, against the evil tendency of their poor laws, it may savour of presumption, for an American who has never been on the east side of the Atlantic, to

* The following extract from the Quarterly Review, of 1823, shows that a sounder state of thinking and feeling is beginning to prevail in England, upon the subject of pauperism. "A CONSIDERABLE reaction has taken place in the pub- "lic opinion, on the subject of the poor laws: and by that "moderate course of thinking, into which the people of this "country gradually subside, even upon the most inflammatory "topics, hazardous schemes for their *abolition* have given way "to proposals of a more sober kind, for their strict and se- "vere *administration*. Reflection and experience have pro- "duced a general conviction, that the principles of the poor "law of Elizabeth are consistent with the sound policy of that "important reign, and cannot in the present state of things be "safely departed from, and that a compulsory provision for "the poor, as it originated not in abstract theory and specu- "lation, but was resorted to from necessity. and after other "measures had been respectively tried in vain—continues "to be an *indispensable obligation* upon such a system of gov- "ernment as ours." The whole article from which the above is extracted, forms a striking contrast with the publications upon the same subject, with which the English press has teemed for many years past.

defend those laws, and maintain that they are a necessary counterpoise to the evil tendency of other branches of the English system, in order to secure such a division of the annual product of labour, as will prevent a large portion of the people from periodically falling victims to famine in the midst of plenty; but as I am enabled to vouch experience in aid of theory on this subject, I trust an attempt to defend the poor laws of England, from unmerited opprobrium, will be attributed to a better motive.

When the tendency of a system of laws, is to throw all the property into the hands of a few, the inevitable consequence, in a state of refinement in arts and civilization, will be, to reduce the remaining portion of the nation to such a state of poverty and dependence, as will subject them to all the horrors of famine, upon every fluctuation in the demand for their labour, however abundant the necessaries of life may be in the country, unless there are countervailing laws, which shall compel such a distribution of food as will prevent starvation. It matters not how abundant food may be, if it all belongs to a small portion of the nation, and the rest of the nation have nothing to buy it with; a large portion will be left to starve, unless some provision

is made by law for the distribution of it among the poor. Private charity is not adequate to prevent such a catastrophe.

That there will be great fluctuations in the demand for labour, in all countries, is absolutely certain, and these fluctuations will be increased by the extent and variety of the different branches of industry. The variableness of the seasons will cause fluctuation in the demand for agricultural labour—the variableness of the market will cause fluctuation in the demand for different kinds of manufacturing labour—all these fluctuations must have the effect to throw great numbers of labourers out of employment, and many of them would starve before new employment could be found, or before a demand for their labour would return, unless some legal provision was made for their support.

Besides these general causes which extend over a whole country, there are multitudes of lesser ones, which must annually throw great numbers of labourers out of employment for a season. The constant changes which are taking place in the affairs of individuals, must in such a country as England, deprive thousands of the poor of the means of supporting themselves and families by their labour. The suspension of the

operations of a manufacturing establishment, from bankruptcy or any other cause, may throw thousands of labourers out of employment for weeks and months, and if left to subsist upon private charity, many of them must starve, although able and willing to work; and to reproach them for being poor, and leave them to starve for the default of being poor, would be to reproach them for not having that which the laws had given to another, and which they cannot possess, without depriving the rich of their wealth, and thereby equalizing the division of property.

This, then, is the amount of the doctrine for which I contend—the present unequal division of property in England remaining, one of two things must follow. Provision must be made by law for the distribution of the product of labour among the poor, at certain times and seasons, whether they are able to work or not, or large numbers of them must annually die of famine, although there is an abundance of food in the country.

Nothing but the poor laws of England, prevents that country from being periodically visited as Ireland was in 1822, by the destroying angels, *famine* and *pestilence*. Ireland affords a signal example in illustration of this doctrine. A slight

fluctuation in the seasons has reduced several hundred thousands of that unhappy people to a state of starvation. There has been no general failure of crops in that country—food of every description is not only abundant in the land, but cheap also.—It is a singular fact, that while multitudes of people were starving; cargoes of potatoes were imported into Baltimore from Ireland, and sold for a fair profit. In the year 1821, there was a very abundant crop of all the fruits of the earth throughout both England and Ireland, except a very partial failure of the crop of potatoes in some counties in Ireland, and yet famine in 1822 stalked through the land. How is this to be accounted for? By their not having a counteracting system of poor laws, which compel a distribution of the product of labour among those whose labour has produced it, when they are unable to procure it by their labour, or when there is no demand for their labour.

There is food enough in the country, but it all belongs to a few, and there are no means by which it can be distributed among those who are in want, and who have not the means of obtaining it. The English poor laws always have, and so long as they are continued in force, always will prevent any

portion of the English people from starving, when there is an abundance of food in the country for their support, and nothing but the reviled poor laws of England, or some similar institution would or could have prevented England from being occasionally visited as Ireland has been, by the most desolating famine, so long as the present unequal division of property remains.

That the poor laws of England are an evil may be admitted, but as they are a lesser evil than famine among the poor; they ought to be maintained until those laws and that system shall be remedied, which render them necessary.

Much of the suffering of Ireland has been attributed to the non-residence of the proprietors, and to the system of "middle men" as it is called, that is, the system of letting to tenants who underlet to the peasantry at enormous rents. But this is attributing effects to secondary causes, for which secondary causes there can be no remedy, so long as the primary cause exists. The non-residence of the proprietors, and the "middle men" system, will continue so long as the unequal division of property continues. No law can compel the proprietors to live on their estates or not to lease to "middle men," short of a law which shall have the effect to divide these large

estates, and thereby disable the proprietors to reside abroad.

We sometimes hear it said, that the miseries of Ireland arise from an excess of population, but how can there be an excess of population in a country, when the products of that country are more than sufficient to support the population in comfort and plenty, which is the case with Ireland. If the product of the Irish soil were distributed among the people, in any thing like just and equal proportions, there would be plenty in every cottage in the island. If a country is excessively populated, whenever from a vicious system, such an unequal division of the product of labour takes place, as to leave a portion of the people to starve, there is no point of diminution, at which a country might not be excessively populated; for if Ireland contained but a tenth part of its present population, there might nevertheless be such an unequal division of the product of labour, as to leave a fifth of that tenth in a state of starvation.

Ireland is not, however, so thickly populated as some parts of England, although the soil is quite as productive by nature, and yet we hear no complaint of an excess of population in England, except by those who grudgingly share the

bounties of nature with their fellow creatures, and who desire to diminish the number of human beings, in order that they may consume all the fruits of the earth themselves.

But for the poor laws of England, however, there would long since have been such an excess of population in that island, also, as to cause famine and pestilence; and if Ireland had either a like system of poor laws, or a more equal division of property, we should hear no more complaints of her excessive population.

It has been said, and a thousand times repeated in England, and in this country also, that the poor will always multiply in proportion to the amount of the legal provision made for their support—that the poor make their calculations to be supported by charity—that they marry and raise families with the expectation that the public will support them. These are, however, calumnies upon the poor and the poor laws. It is not true, that the poor will voluntarily place their dependence for support upon public charity; the great mass of mankind have an innate feeling of independence and pride, which scorns to receive charity, as long as they have the power of maintaining themselves.

There are no doubt many debased and degraded wretches in every community, who are so lost to all sense of shame as to be willing to subsist upon charity, but the number of these is comparatively small, and the vigilance of those who act as almoners to the public, will always be able to prevent any great imposition being practised on the public by such persons. These degraded wretches are also, so lost to all the decencies of life, as never to think of marrying and raising families.—No man can have reflection and forethought enough to think of marrying, without having so much of that innate sense of independence and pride remaining, as to disdain to make his calculations on being supported by public charity. It is no doubt true, that thousands marry in England under such circumstances, as that prudence would foresee that their families must ere long receive subsistence from public charity, but these are seldom, if ever the calculations of the parties when they enter into a state of matrimony—they hope and expect better things, even in that country, and under the operation of their unequal laws.

The politicians and reviewers of England, may exercise their ingenuity, in devising means for relieving the country of pauperism, and for

abolishing the poor rates. They may amuse themselves and the public, with their dissertations and schemes, but they can have no more reasonable hope of success, in the accomplishment of their object, so long as the present unequal division of property remains, than they could, of enabling a man to get rid of his shadow at noon-day. If they wish to remedy the evil of pauperism, let them set about amending their laws. Let those laws be repealed, which have had the effect to produce the present unnatural division of property; let their laws of primogeniture, entail, limitations of real property, and devises, be repealed; and let the whole property in the kingdom, at least once in every generation, be resolved into the general mass, and be again divided among the people. Let this be done, and in the course of a century, the kingdom may be relieved of the principal portion of its paupers.

CHAPTER IV.

Measures which influence National Industry.

Measures of government, so far as they effect national prosperity and wealth, may be divided into two classes.

First, those which have a tendency to cramp and paralyze the energies of man, and therefore, produce poverty and distress, by lessening his capacity for acquiring the necessaries and comforts of life. Of this description are all tyrannical, unjust, and oppressive laws, which unnecessarily restrain, or deprive the citizen of his liberty, or of the fruits of his industry; and all laws, which tend to produce an unnatural, and unnecessary inequality in the division of property. Of this description are all laws, which are unequal in their operation, and are calculated to give one class of citizens unnatural privileges,

or advantages, over other classes. Laws, which have this effect, may be as indefinitely various, as the transactions of men. Every thing which is the subject of regulation, is liable to unjust and partial regulation. It would, therefore, be in vain to attempt to enumerate the laws of this description. All that can be done, is to describe their general character, and to point them out by their effects.

Secondly, those measures which are calculated to develop the faculties of man, and stimulate his native energies. The effect of such laws is to augment his power, and thereby increase his capacity to acquire the necessaries and comforts of life. If we would augment national wealth we must augment the power which produces it. If we would increase an *effect*, we must give additional force to the *cause*. National wealth is the effect of labour. A measure, therefore, which is to augment national wealth, must augment the quantity of labour; it must stimulate national industry and enterprise.

Whether a nation is rich or poor does not depend upon climate or soil, for nothing is more common, than to see the utmost poverty and wretchedness prevailing in countries, upon which the bounties of nature have been bestowed with

the utmost profusion; while in those countries where these bounties seem to have been scattered most sparingly, the people often enjoy the necessaries and comforts of life in the greatest abundance.

We are apt to suppose nature to have been more partial in the distribution of her bounties than is actually the case, and that in a country with a mild climate, and a rich luxuriant soil, the necessaries and comforts of life are to be obtained upon much easier terms, than in a country with a cold unfriendly climate, and with a soil naturally hard and unproductive. But this is not the case to any thing like the extent we are apt to suppose. If we were to form an opinion on this subject, from observation in the different regions of the globe, we should be led to suppose that national wealth ordinarily existed in the inverse ratio of the natural fertility of the soil, and that the necessaries and comforts of life were less abundant and more difficult to be acquired in a luxuriant than in a sterile country. Nothing is more common than to see the greatest degree of national wealth existing in those countries which are by nature comparatively barren and unfruitful. If we look at different parts of this country, we find a much greater degree of

national wealth, in those parts where nature seems to have been most sparing of her bounties, than in those where she has scattered them with an unsparing hand. It is a notorious fact, that in the most rugged, inhospitable, and by nature, most unproductive parts of the country, the products of labour are more abundant, than in those parts which enjoy a milder climate and more luxuriant soil. There is a much greater degree of national wealth existing in Connecticut and Massachussetts, than in Virginia or Georgia. In the former, the land is rugged, and comparatively, by nature, sterile, and the climate cold. In the latter, the climate is mild, the land by nature luxuriant, and easily cultivated, and its products more valuable. The same labour will probably produce twice as much food in the latter states, as in the former, and yet it is always less abundant, and bears a higher price in the latter than in the former states.

The same phenomenon will be found to exist in all parts of the world. Compare, for instance, Holland with the island of Sicily. The former, a flat sunken country, reclaimed from the sea, and by nature wholly unproductive. The latter, situated in a most delightful climate, and by nature one of the most luxuriant spots on the

globe. Yet in Holland there is wealth and plenty, while in Sicily there is the utmost poverty and want.

Compare England with the fertile plains of South America. In the former, although situated in a high northern latitude, with a soil, by nature rugged and sterile, the necessaries and comforts of life exist in the greatest abundance; although, in consequence of their unequal distribution, there also exists a great degree of poverty. In the latter, poverty and want overspread the land.

The relative wealth of two agricultural countries, no doubt, depends essentially upon the natural fertility of their respective soils, but it depends still more essentially on the degree of industry which prevails in the two countries, more especially in an age of refinement, when a large portion of labour is employed in manufacture and commerce, in which the inhabitants of a sterile, have equal advantages with the inhabitants of a fertile country.

It seems natural, also, to suppose, that the wages of labour should be in proportion to the product of labour, and that therefore, labour would be better paid in a fruitful than in an unfruitful country. But such is not the fact. Although

the labour of an individual may cause twice as great a production in one country as in another, yet the quantity which he can procure for himself by his labour, provided he is not the owner of the land, upon which his labour is bestowed, is altogether independent of the quantity produced, and may be less in the country where it produces most, than in that where it produces least. The price of labour is altogether independent of the production. The same price will be demanded for labour bestowed upon an unfruitful, as upon a fruitful field, although the production may be twice as great in the one case as in the other; and the case may be the same in regard to labour employed in a productive and in an unproductive country. If one country produces twice as great a quantity of food as another, it will also contain twice as great a population, and twice as many labourers, who will want employment, and therefore keep down the price of labour, so that the labourer will find nearly as much labour required to procure the necessaries of life in one country as in the other.

To illustrate this idea, let us suppose that the states of Virginia and New-York are of equal dimensions, and that the soil of Virginia is by nature twice as fertile as that of New-York, so,

that a given quantity of labour will produce twice as great a quantity of the necessaries of life, as the same quantity of labour will produce in New-York. If the number of people was always to remain the same in the two states, and they were to derive the necessaries of life exclusively from their own agricultural labour, then it would follow, that the people in Virginia would enjoy with a given quantity of labour, as great an abundance of the necessaries of life, as the people of New-York would, with twice that quantity. But when the principles of population are taken into the account, and the people multiply in proportion as food increases, so that Virginia has twice the number of people to support, it will be necessary that the quantity of industry in proportion to the number of people be nearly as great in the one state, as in the other, in order to make food equally abundant in the two states: And a labourer in Virginia will find, that although he raises twice as much corn with the same quantity of labour, as a labourer does in New-York, yet he receives very little more corn for his labour, than the labourer in New-York. And if the quantity of labour in New-York, in proportion to the number of people be greater than in Virginia, national wealth may prevail to

a greater extent in New-York, than in Virginia. The relative price of labour and food will be nearly the same in both states.

It is no doubt true, that the necessaries of life can always be procured by the labouring classes upon somewhat easier terms, in a luxuriant, than in a sterile country.—With the same degree of industry there will always be a greater degree of national wealth in a country where the soil is naturally rich and productive, than in one that is naturally poor and unproductive, but the difference is by no means so great as we are apt to suppose.—A greater degree of industry will overcome almost every disadvantage of climate and soil, and the only way in which national wealth can be augmented, is by augmenting the quantity of labour by increasing the industry of the people. The powers of man are indefinite and almost unlimited, but they remain inactive and dormant, until roused by some exciting cause.

SECTION II.

The influence of War on National Industry.

War, often operates as a powerful stimulant to national industry, and thereby promotes national wealth. However repugnant this may be to the commonly received notions on this subject, yet there is scarcely a nation on earth, that has not, during some period of its existence, afforded an example in proof of the powerful efficacy of war in promoting national wealth, as well as national power. But fortunately for mankind, this is not the legitimate and ordinary effect of war.

As a general rule, it is no doubt true, that war is prejudicial to national wealth and happiness. The calamities of a desolating, exterminating war, are not susceptible of exaggeration. Its immediate effects are not only a "waste of human "happiness and comfort, and the destruction of "the laboured products of human industry and "genius," but its remoter effects are the discouragement of industry, the corruption of morals, the oppression and tyranny of the government; and in short, wretchedness and want in all their

various shapes. In these respects the effect of war upon the body politic, may be compared to the effect of intoxicating liquors upon the natural body. It produces a temporary excitement, and augments the physical and moral energies of the system, which is followed by a corresponding degree of relaxation, lassitude, and debasement.

But as the effects of stimulants upon the natural body are often salutary, so they are upon the body politic. It is their injudicious and intemperate use, which causes their injury. I do not by this mean, that it is ever expedient to resort to war, as a means of promoting national wealth, for if this was the real object of a war, it would no doubt invariably fail of producing any beneficial effects, but when the injustice and aggression of foreign nations render a war necessary, it will often infuse a degree of energy into the body politic, which will greatly promote its wealth and prosperity.

Most writers on political economy suppose, that war has a prejudicial effect on national wealth, by causing the consumption of the product of labour, and thereby preventing accumulation. This, however, so far from being prejudicial, is in fact one of the modes in which war promotes national wealth. In this way it

affords a motive for industry, and a stimulus to greater exertion, and often causes an increased production, much greater than the war expenditure.

If a war expenditure be equal to ten millions, and in consequence of the war, national industry is stimulated to such a degree, as to cause an increased production equal to fifteen millions, it will follow, that national wealth would be augmented five millions, in consequence of the war, according to the doctrine which makes national wealth to consist in accumulation of the surplus of production above consumption. Such an augmentation of the product, would increase national wealth, although the accumulation of it would prevent it from being as beneficial as it might be. A stream of water spread over a field, may have a happy effect in fertilizing it, but if suffered to accumulate upon it, it may produce quite a contrary effect. So increasing the product of labour will have the effect to augment national wealth; but in order to be most salutary in its effects, it must be annually consumed, and not suffered to accumulate.

War affords a stimulus to industry, by increasing the demand for labour. The consumption of the product of labour, by an army, pre-

vents accumulation, and often causes a still greater production. This explains the phenomenon of England's always increasing in wealth, during a period of war with the maritime nations of Europe. Having a naval superiority on the ocean, war gives her the commerce of the world, and in addition to the excitement and energy which war is calculated to infuse into the body politic, she enjoys the additional advantage of supplying the world, or the greater part of it, with her manufactures, which gives an impulse to the industry of the nation, and causes an increase of production, much greater than the war expenditure. War may, therefore, enrich England, while it impoverishes other nations.

It is altogether a mistaken notion to suppose, that the evils of war, consist in a useless consumption of the product of labour. If this was the only evil, war would be a very harmless amusement, or perhaps, a useful luxury. The devastation and desolation which it occasions, is of quite a different character. In this respect, it has an immediate and lasting effect to diminish national wealth. It has also an injurious effect on public morals, and therefore, tends to enervate and weaken the arm of industry. The influence of war also, is irregular and fluctuating in its

operation. It furnishes for a time, a strong demand for particular species of labour; but as war cannot be permanent or lasting, that demand may be suddenly withdrawn, and then distress is produced among those classes of people, to whom it had given employment. All fluctuations are unfavourable to national wealth and happiness—the more permanent the demand for any article, the better. This is one cause of the present distress in England and this country. An unnatural demand had been occasioned by war, for the product of the labour of the two countries. Peace has interrupted the demand, and thousands of people are thrown out of employment in consequence of it.

SECTION III.

Of Public Works.

The expenditure of public money, in public works, frequently has not a less invigorating influence than war, on national industry.

It is a common opinion, that all expenditures in public works, of all descriptions, whether in

building fortifications, ships, making roads, canals, or any other permanent improvement, is a real tax upon the community, to the amount of money expended, and that the public can only be remunerated by the advantage it may derive from the use of the building or improvement.

According to this doctrine, it would follow, that if the fortification, ship, road, canal, or other improvement was, when finished, either useless, or should be destroyed, the expense of building would have been an actual drain upon the wealth of the nation, equal to the amount of money expended. Nothing can be more erroneous than such a doctrine.

If the fortification, or ship, should be destroyed, the day they were finished, it would not follow, that national wealth would have been lessened, in consequence of building them. Should a road or canal be perfectly useless, when finished, it would not follow, that the nation was the poorer for the money expended upon them. It would, undoubtedly, be better for the nation, that the fortification, or ship, should remain, when built, than be destroyed; nevertheless, it may be better for the nation to have built, than not to have built them, even though they should be immediately destroyed. The capacity of the nation,

for acquiring the necessaries and comforts of life, may be none the less, for having built a ship, that sinks to the bottom of the ocean, as soon as she is off the stocks, or for having made a road, or canal, which is perfectly useless. If public money is to be expended, it is no doubt better that it should be expended prudently, than imprudently, profitably, than unprofitably; although it does not follow, that national wealth is lessened by its being expended either imprudently, or unprofitably. These may seem to be strange opinions, although they are perfectly reconcileable with those theories, which make national wealth to consist in the surplus of production above consumption, or in the accumulation of gold and silver.

If a canal is made with a nation's own means, there will be just as much money in the nation, after, as before it was made, or as there would have been, had it not been made, even though it should be perfectly useless when made. The money may belong to different individuals, in consequence of making the canal, still it will belong to the nation; and so far as national wealth is concerned, even upon the principles of accumulation, it matters not, whether it be in the possession of A. or B.: and as there will be just

as much money in the country after, as before building the useless canal, or road, or a ship that is sunk to the bottom of the ocean; so there may be just as much, or as great a surplus of production above consumption.

If the expenditure of the public money, in these public works, has caused an increase of the quantity of labour, equal to what was required to build them, then the production will be just as great with, as it would have been without building them. The number of people to be supported out of the product of labour, is not increased; and therefore, the surplus, if any, will be as great in the one case, as in the other. In this case, the expenditure affords such a stimulus to national industry, as to augment the quantity of labour, equal to what was required in the public works; and of course, there will not be a bushel less of wheat, or a pound less of tobacco, cotton, or sugar, than there would have been, but for the public works. It is very clear, that this may be the case in all countries. There is not a country on earth, that has not a large quantity of surplus labour, or in other words, a large number of people, who are either idle the whole, or some part of their time, and who might be employed in labour. As every nation, therefore, possesses a

quantity of unexerted, or unexpended labour, or power; a measure of government, which shall have the effect to call this labour into action, may expend it in the erection of public works, without diminishing the annual product of labour, or preventing as great an accumulation of the surplus of it, as would have taken place, without such expenditure.

Suppose the United States was to employ ten thousand men during the next ten years, at an annual expense of two millions of dollars, in making roads, canals, and other permanent improvements, in the country; is there any reason to suppose, that any portion of that labour would be withdrawn from other branches of industry? The particular individuals, employed upon the public works, would, no doubt, be withdrawn from other branches of industry; but others would either take their places, or those who remained, would labour more, so that the quantity of labour would be as great as though none had been withdrawn. In other words, a stimulus would be applied to the energies of the nation, which would augment the quantity of labour equal to what had been applied to the public works. The nation is capable of exerting a power, annually, to a much greater extent than

this. Fifty thousand men might, no doubt, be employed on public works, without lessening the annual product of labour a single pound. It is, therefore, possible for the nation to expend a large amount of labour and money, on public works, without, in other respects, diminishing public wealth.

But this is not all; the expenditure of labour and money, in this way, may be the means of augmenting public wealth, in other respects—it may cause a greater annual product of labour, than there would otherwise have been—it may make the necessaries and comforts of life still more abundant among the people. It may produce this effect, by infusing into the nation a degree of industry, which will more than supply the labour expended upon the public works. It may excite the energies of the nation, to a much greater degree, than is required for the performance of this additional labour, and thereby augment the product of the necessaries and comforts of life.

Was the state of Maryland to expend a million of dollars, in making a canal from the Susquehanna to Baltimore, there is not the slightest reason to suppose, there would be a bushel less of wheat or corn, or a pound less of tobacco, raised

in the state, in consequence of the labour bestowed upon the canal; nor would there be a dollar less money in the state. It might, on the contrary, be the means of augmenting the quantity of both. The canal then would cost the state, in reality, nothing. Public wealth would be just as great after the canal was made, exclusive of the canal itself, as it would have been, had the canal not been made, and the nation's wealth would, therefore, at all events, be augmented to an amount equal to the value of the canal to the public.

If making the canal should cause an increase of industry, equal only to half the labour bestowed on it, then public wealth would be augmented only to half the amount of the value of the canal to the public. In other words, if the labour expended in building the canal was equal to the value of a million of dollars, and in consequence of building it, labour should be withdrawn from other branches of industry, to the value of half a million of dollars, which would cause a diminished product of wheat, corn, tobacco, &c. equal to half a million of dollars; then the actual expense to the state, of the canal, would be half a million of dollars.

If then, the real value of the canal to the state, when finished, should be only half a million of dollars, there would be nothing lost or gained, as it regards public wealth, by building it. But if the real value of the canal to the state, should be seven hundred thousand dollars, then the state would have gained two hundred thousand. But should the canal be worth to the state, a million and a half of dollars, then there would be a gain of a million. Should the canal, however, be worth only three hundred thousand dollars, then there would be a loss of two hundred thousand, unless this loss should be counterbalanced by the greater habits of industry and skill, which the people would have acquired in consequence of the work, which would augment their capacity for acquiring the necessaries and comforts of life in future.

This is taking it for granted, that making the canal would withdraw a quantity of labour, equal to half the quantity expended on the canal, from other branches of industry; but upon the supposition, that no labour would be withdrawn from other branches of industry, which would probably be the case; should the canal, when finished, be of no value to the state, still public wealth would not be diminished.

There is every reason to believe, that the New York canals will increase the quantum of industry, in the state, equal to the whole amount of labour bestowed upon them, and that the product of labour in agriculture, manufactures, and commerce, will be as great, as it would have been, had the canals not been built, so that in reality, they will cause no drain on public wealth, even though they should be worth nothing to the state, when finished; and it is even more than probable, that these enterprises have infused into the body politic, a degree of energy and industry, which will more than supply all the labour required to build the canals, and that there will be a greater product of labour in other branches of industry, in consequence of making them. The wealth of the state will, therefore, be augmented, independent of the value of the canals.

The body politic, like the natural body, is liable to fall into a state of comparative lethargy and torpor. It then becomes necessary to arouse its dormant energies, by administering stimulants. The expenditure of public money, in public works, will often produce this effect.

CHAPTER V.

Of Labour-saving Machines.

THERE has, of late years, been a question made among political economists, whether *labour-saving machines*, were beneficial to a nation, or conducive to national wealth; and a most extraordinary question it is.

That a development of the human faculties, and improvements in the arts, should be supposed to have an unfavourable influence on individual or national prosperity and wealth, is incontrovertible proof, either, that those who entertain such opinions, have most unnatural and perverse notions of human happiness; or, that the institutions of the country, in which such improvements produce such effects, are unnatural and perverse. There must be a radical vice in the institutions of a country, in which improvement

in the arts, or labour-saving machines, are unfavourable to the welfare of the people.

That one unnatural and vicious system should require to be counterbalanced, by another unnatural and vicious system, is frequently the case; and it is not improbable, but that the institutions of a country may be such, as that improvements in the arts and in labour-saving machines, may be prejudicial to a large portion, and perhaps, to a majority of the people; but if ever this be the case, it is entirely owing to some unnatural and unnecessary infringement of the laws of nature, in the institutions of the country.

Nature bestowed upon man his various faculties, for the purpose of improvement and cultivation, and she has placed no prohibition upon their cultivation, nor any other restraint, than the want of ability or inclination; and if any other restraint is placed on them, it is in violation of the laws of nature. Nature made it necessary for man to cultivate the earth for food, but she has not made it necessary for him to dig up the ground with his fingers. She has given him ingenuity for invention, and the invention of the spade and plough was as lawful and natural an exercise of power, as digging the earth: and man has as much natural right to exercise his inge-

nuity to abridge labour in one employment as in another.

This power of invention distinguishes man from the brute creation, and it is the exercise of this power which has raised him from a savage to a civilized state; and to say that this power ought to be abridged, or restrained, in any respect whatever, is not only an outrage on man himself, but it is also an impeachment of the wisdom of his Creator, in bestowing upon him these faculties.

Whenever it is found, that inventions in labour-saving machines, produce an injury to a community, the cause of the injury is to be sought for, in some previous and unnatural institution of the country, and not in the exercise of the ingenuity of man in the invention. A government would have as much right, to deprive a man of his talents, his strength, or his personal comeliness, as to prevent him from exercising his faculties or ingenuity, in inventions to abridge labour, to extend the boundaries of science, or to make improvements in the arts. But if such inventions and improvements are injurious to national wealth and happiness, they ought either to be prevented, or the cause which renders them injurious, ought to be removed.

It would be a most dangerous experiment for a government to undertake to exercise a control over the exercise of the human faculties, in any respect. Where shall the line of distinction be drawn? What inventions shall be permitted, and what not? Who shall decide what improvements will be beneficial to society, and what not? What labour-saving machines will be useful, and what not?

The mariner's compass is a labour-saving machine, and had the question been submitted to the philosophers of the day, whether it would be a useful invention or not, there would, doubtless, have been a diversity of opinion, and possibly the question would have been decided against it. The art of printing is a labour-saving machine—gunpowder is a labour-saving machine; and there is no doubt, but that there would have been a great diversity of opinion in the day of their invention, as to their utility. The spade, the plough, carriages and ships are labour-saving machines; and if their invention has been useful to man in a very great degree, what reason is there for supposing, that every invention of labour-saving machines are not also calculated, in their nature, to be useful to him, in proportion to the labour they save. The mechanical powers,

and, indeed, all the powers of nature may be converted into labour-saving machines; and where is the presumptuous man, who shall dare to say, that such an appropriation of these powers, is, or can be, in itself, prejudicial to man's best interests?

If it was possible, by the invention of machinery, to supersede the necessity of labour in the smallest degree, there might be ground to question the beneficial effect of labour-saving machines, upon human happiness, and national prosperity. It may well be doubted, whether the condition of mankind would be improved, by their being relieved from the necessity of labour. But God has said that "man shall eat bread in "the sweat of his face," and we need be under no apprehension, that the ingenuity of man, will ever enable him to extricate himself from the operation of this sentence, or to evade its penalty.

Vast improvements have been made in agriculture, in the arts, and in labour-saving machines, but the necessity to labour, in order to procure the necessaries and comforts of life, has not, in the smallest degree, been diminished; nor will any indefinite extent, to which we may imagine these improvements to be carried, supersede in the smallest degree, the necessity to

labour for food, or for the comforts and luxuries of life. If three-fourths of the labour, now employed in agriculture, could be saved by improvements in machinery, there would still remain the same necessity for labour, and men would find, to their astonishment, that there was yet no eating of bread, but in the sweat of their brows.

Although, by the different applications of the powers of nature, such a vast amount of labour is saved in manufactures, still it requires as great a quantity of labour now, to procure either the necessaries, or the comforts of life, as it did two centuries ago, and indeed, a much greater quantity. There is no danger, therefore, that improvements in labour-saving machines, will ever supersede, in the smallest degree, the necessity for labour.

If the wants of man were limited, then labour-saving machinery might supersede the necessity of a certain portion of labour, which, without the machinery, would be necessary to supply those wants; but the wants of man are indefinite and unlimited, and as fast as he contrives to supply one want with a less quantity of labour, another equally pressing want springs up to supply its place, and impose new necessity for labour. This, however, is only the case with

our artificial wants, and the necessity which they impose for labour, might be relieved by giving up, or restraining these wants, although there is no probability that this will ever be done.

But even if this was done, it would have no effect whatever, in relieving man from the necessity of labour, by the instrumentality of labour-saving machines. If population always remained stationary—if it possessed no inherent powers of expansion and multiplication, then the want of food would always remain stationary, and the same quantity annually produced, would always be adequate to its supply; and any contrivance which should enable us to supply a given portion of this food without labour, would to that extent, relieve mankind from the necessity of labour; but with the procreative power of the human species, this can never be the case. As soon as the necessaries of life are furnished to those in being, a new, more numerous, and more hungry race springs up, whose wants are equally pressing and imperious.—New exertions and additional labour become necessary, and that labour which has been saved by machinery in one species of work, is compelled immediately to seek employment in another. The only effect, therefore, of labour-saving machinery, is to substitute

one species of toil for another. It has also the further effect, of compelling men to exercise their ingenuity in inventing and manufacturing new species of productions.—To try experiments in modes of agriculture; with a view to augment the products of the earth.

To what extent the fruits of the earth may be augmented, no human intelligence can tell. For aught that we can perceive, the earth is capable of being made to yield an indefinite and almost unlimited quantity of food. We can no more fix limits to the powers of the earth to produce the necessaries of life, than we can fix limits to the powers of life itself, or to the artificial wants of men. According to our experience, the fruits of the earth are multiplied almost in proportion to the labour bestowed upon it; and were that labour increased a hundred fold, it is impossible to say, that the product might not be increased very nearly in the same proportion.

With a proper exercise of the faculties of man, and a proper distribution of the bounties of nature, there never was yet a human being, sent into the world, without the means of sustenance. If ever a human creature starved, it was in consequence of some accident, or of some previous abuse of natural law in regard to man, or in con-

sequence of the folly or vice of the person that starved, or of those whose duty it was to provide for him.

A man may be shipwrecked upon a desert island, and starve, but this is accidental. A hundred or a thousand human beings, who have no right to any portion of the surface of the earth, in consequence of the laws of property, and laws too, that are necessary for the support of civilized society; and having nothing upon which they can bestow their labour, for the purpose of procuring bread, and those who have the means, refusing both to employ them, or to give them charity, may be forced to the extremity of starvation. This is ordinarily in consequence of an unequal division of property, caused by partial and unequal laws. Parents and children may all starve in consequence of the folly and vice of the parents, whose duty it is to provide for their children, as well as for themselves.

I am far from supposing that the earth is capable of being made to increase its fruits with the same rapidity, that the unrestrained powers of procreation are capable of multiplying the human species. The power of procreation is in its very nature indefinite, and susceptible of increase to infinitude, and when viewed in this

respect only, our race may be considered as an infinite series, commencing with Adam, and increasing in numbers and power in each succeeding generation. This unrestrained power, would cover the whole face of the earth with human beings in the course of a few centuries at most; although long before they could multiply to this extent, universal starvation would sweep them off; still nature, provided her laws are adhered to, does not require the agency of man to prevent such a catastrophe. Let the laws of nature be adhered to, both by government and people, and there will be no necessity for man to interpose his agency to prevent an increase of population above the means of subsistence, either by wars, or by leaving the poor to starve.

It is a law of nature, that a man shall not live without food, but it is also a law of nature, that all men have an equal right to the surface of the earth for the purpose of procuring food; and although it is necessary for the existence of society, that the exclusive right to property, should be established and maintained; yet this principle is not to be carried farther, than is necessary for the accomplishment of its object, because it is in derogation of man's natural right to a portion of the surface of the earth; and before those, who

have, in consequence of the laws of property, an exclusive right to the surface of the earth, will have a right to leave those who have none, to the operation of the laws of nature, they must be certain that the destitution of the poor, has not been caused, by an unnecessary inequality in the division of property, produced by unequal and partial laws.

If the rich have a right to enforce the laws of nature upon those who multiply their species without the means of supporting them; the poor have an equal right to enforce the same laws in regard to the unequal division of property; and mutual forbearance will probably be found most expedient for both. The rich must give freely to the poor, or furnish them with labour, in consideration that they have more than a proper administration of natural law would entitle them to.

In a country where a very great, and an unnatural division of property has taken place, there can be no doubt, but that labour-saving machines are often very injurious to a large portion of the community. They tend to destroy the dependence of the rich upon the poor for labour, and thereby to cause a still greater inequality in the power of the two classes. They enable the rich

to enjoy in great abundance the comforts and luxuries of life, without the labour, or without so great a quantity of the labour of the poor, as would otherwise be required; and as the poor have nothing but their labour to depend on for subsistence, these machines may be the means of reducing them to a greater degree of poverty and wretchedness.

But where the natural equality of man is preserved, so far as equal laws can preserve them.—Where the power which the rich acquire over the poor by their great accumulation of wealth, is once in every generation broken to pieces, and resolved comparatively into the general mass, by being distributed equally among all the members of a family, and is not suffered to accumulate from generation to generation, in the hands of the eldest son; the effect of labour-saving machinery in augmenting the power of the rich, is in a great measure destroyed. All have nearly an equal chance of availing themselves of the benefit of improvements of this description. The dependence of one class of society upon another is preserved, and all the labour that is saved in one branch of industry, may and will be usefully directed to another.

That is the most perfect state of society, in which the natural equality of men is most nearly preserved. But the natural equality of men, is very far from being a perfect equality. Every permanent inequality produced by artificial means, is, however, injurious in proportion to its magnitude; and wherever there is such inequality of property, as to enable the rich to appropriate to themselves the exclusive benefit of labour-saving machines, they will be found extremely prejudicial to the lower orders of society, without producing any corresponding advantage to the higher orders.

Such an evil can only be remedied in one of two ways; either by restraining improvements in labour-saving machines, and prohibiting the use of them—or by remedying those pre-existing evils, which render the exercise and development of the faculties and ingenuity of man, prejudicial to himself.

In the present state of society and division of property in England, there can be no doubt but that the condition of the poor is rendered more wretched, in consequence of the great improvements in labour-saving machinery.

CHAPTER VI.

Of Corporations.

In modern politics, and in modern systems of political economy, corporations make a very conspicuous figure. I do not, by this mean, that corporations are of modern date, for they are as ancient as the social compact, although some writers have supposed that the art of making *unity* or *individuality* out of a multitude, was a modern discovery; but in reality a nation is a corporation, and therefore, corporations must have existed as long as nations have existed. But in modern times corporations have been greatly multiplied and created for purposes altogether unknown to the ancients.

In political economy, corporations may be divided into two classes. First, *political corporations* created in furtherance of civil government.

for the more perfect administration of the laws, and for the protection of social and civil rights. This class embraces nations, as contra-distinguished from the individuals of whom they are composed. It also includes all the subdivisions of a nation into states, counties, cities, and towns, and the more perfect and complete this subdivision is, the more perfect is the form of civil government. The very great advantage of dividing a nation into small corporations of this description, is most strikingly manifested in New England.

There is no one circumstance in the civil policy of the New England states, in which they have so great an advantage over the other states, as in that of the division of the states into town corporations. No man who has not seen the influence of these upon the manners, morals, customs, and habits of the people, can form any conception of their vast importance in civil government. These corporations, however, relate rather to the form and detail of the government, than to the science of political economy.

The second class of corporations may be denominated *money corporations*, and their influence on national wealth, is more direct and immediate than the first class.

This class embraces banking companies, insurance companies, road companies, trading companies, and every description of associations, incorporated for the purpose of promoting the fortunes of the members of the corporation. The act of incorporation is for the purpose of giving the members an artificial power, which they would not possess in their individual capacities.

Besides these, lawyers make a variety of other corporations, where the object of the corporation is the promotion of learning, charity, religion, or any other object which may be thought useful to society. But with these, a political economist need not trouble himself. They will be useful or otherwise, according to the utility of the object they propose to accomplish, and their adaptation to the accomplishment of it.

The object of a *money corporation*, is to give to the members an artificial power, which they would not otherwise possess, or to exempt them from some liability, to which they would be subject, but for the act of incorporation.

The very object then of the act of incorporation is to produce inequality, either in rights, or in the division of property. *Prima facie*, therefore all money corporations, are detrimental to national wealth. They are always created for

the benefit of the rich, and never for the poor. As the poor have no money to vest, they can derive no direct advantage from them. The rich not being satisfied with the power which money itself confers upon them, in their private individual capacities, seek for an artificial combination, or amalgamation of their power, that its force may be augmented.

An incorporated banking company has a great advantage over individuals in loaning money. By combining the fortunes of a great many individuals, they not only operate with greater effect, and with less danger from competition, but their private property is also, ordinarily, exempted by the charter, from all liability for the debts of the bank. Here then are a parcel of rich men, cloathed with the privilege of having their property, beyond a certain extent, exempt from liability for their debts; a privilege which no private citizen enjoys. Sound policy, however, requires, that the natural equality of men should be preserved, as far as practicable, in civil society; and it is the duty of government to preserve this natural equality, so far as equal laws, and equal rights and privileges will preserve it.—To keep all the members of the community as distinct and independent as possible.—

To preserve the individuality of the citizens, and to discourage, as far as practicable, all associations, for the purpose of giving to those combined. an artificial power. These are general rules, to which there may be, and no doubt are, some exceptions.

Why do a parcel of rich men wish to combine their capital and form a bank, or an insurance company? For no other purpose but to augment the artificial power, which money gives them, in accumulating more. Can the poor derive any direct advantage from such an institution? Can they hope to own any part of its stock? Can those who have no money, hope to enter into competition with those who have, in buying the stock? Such a hope must be remote indeed.

Every money corporation, therefore, is *prima facie*, injurious to national wealth, and ought to be looked upon by those who have no money, with jealousy and suspicion. They are, and ought to be considered, as artificial engines of power, contrived by the rich, for the purpose of increasing their already too great ascendency, and calculated to destroy that natural equality among men, which no government ought to lend its power in destroying. The tendency of such institutions

is to cause a more unequal division of property, and a greater inequality among men, than would otherwise take place; which necessarily bring in their train, as has already been shown, poverty, pauperism, and misery on some portion of the community.

I do not say, that corporations of this description, ought never to be created, but only that they should be created with caution. Too great an equality in the division of property is as prejudicial to national industry and wealth, as too unequal a division. There must be some high prizes in the lottery, in order to encourage people to venture their fortunes in them. There must be rewards for industry, enterprise, and talents, in order to stimulate their exertion.

A money corporation should be cloathed with as few exclusive privileges as possible. It should be encumbered with as many restrictions, as shall be necessary to keep the stock always as low as par. Whenever it rises above par, it is a sure sign that the company has gained an advantage of the public, equal to the excess above the par value. The private property of the stockholders should never be exempted from the payment of the debts of the bank, nor from taxation.

Corporations also for the purpose of building roads, canals, and making other permanent improvements, may be very beneficial to a country. But in incorporating all such companies, it should be a universal principle, never to incorporate them for the purpose of giving the individuals an artificial power to increase their own fortunes. Wealth, of itself, gives the possessor artificial and unnatural power enough, when exerted singly and individually, and quite too much, when combined and cloathed with artificial advantage.

People are not usually aware of the immense advantage, a company of monied men acquire in consequence of an act of incorporation. It gives them a much greater influence and power, than the same amount of property would do, divided among the individual members of the corporation. It enables them to control in a great degree, the operations and industry of a whole community.

By possessing such an immense engine of power, a bank can often so far control the operations of private individuals in every branch of business, as to be able to put almost any man down, who shall attempt to do business without their agency, or who refuses to submit to their domination. The young, the ardent, and enter-

prising, are encouraged to engage in business, by the facility of obtaining the means through the agency of banks. They have, perhaps, a few thousand dollars of their own, and some friend is persuaded to become their endorser at bank, for the purpose of getting more, and after a few years of laborious industry they find that all their own money, and the proceeds of their labour, have been swallowed up by the banks, and they may think themselves well off, if a part of their friend's property has not gone the same way.

It is no doubt a fact, that more than all the profits of all the industry of Baltimore, in the last five years, have found their way into the vaults of the Baltimore banks. The people, it is true, have lived in the meantime, but the people of Baltimore exclusive of the bank stockholders, are no doubt at this day possessed of less property, than they were five years ago. The banks have become possessed of a great portion of the real property in the city, while the industrious labouring classes of the community, have been continually growing poor.

CHAPTER VII.

The Banking or Credit System.

An eminent American statesman and jurist has observed, that, "political economy is not less "important than abstruse, and presents, perhaps, "as many questions, the solution of which on full "investigation, will be different from our impres- "sions on first view, as any science whatever." This is emphatically the case with the banking system. There is, perhaps, as great a variety of opinion respecting the public utility of banks, as respecting any subject whatever; and upon investigation, their real, will be found to be entirely different from their apparent utility, in promoting national wealth.

In order to form a proper estimate of the utility of the banking system, as it has been adopted in the United States, we must consider

the functions of banks—the public benefits arising from them, and the abuses to which they are liable.

The functions of banks are four.—1. They are the depositories of money and other valuable articles.—2. They are offices of discount.—3. They are loan offices.—4. They are the manufacturers of a paper currency.

Discounting notes and bills, and lending money, are usually considered as one and the same thing, but they are widely different. By discounting notes and bills, a bank enables a merchant to anticipate the payment of debts actually due to him, and consequently discounts must be confined to the actual exchange of property in the course of trade, and the bank is never the original creditor. In lending money, the bank is the original creditor.—No actual exchange of property has taken place, although the loan is made under the guise of a discount—but this is a mere fiction.

In discharging these several functions, banks have been found to be highly beneficial to the public in some respects, and highly prejudicial to it in others. An examination of these different functions, will best enable us to determine which are beneficial, and which prejudicial to

the public, and to apply the proper correctives where they are found to be prejudicial.

1. Banks are useful to the public, as places of deposit.

The convenience which merchants and others derive from having places of safety in which they can deposite their money, until they have occasion to use it, and the convenience which banks afford for using it, without its being removed from the vaults of the bank, is very great, and a convenience also, which is attended with no evil.

2. Banks are useful to the public, as offices of discount.

In buying and selling bills of exchange, and in discounting real notes, they facilitate mercantile transactions—the transmission of funds to distant places, and the collection of debts. The convenience and benefit which the public derives from banks in this particular also, is very great and attended with no evil. It may however be observed, that private banking would answer all the foregoing purposes equally as well as incorporated companies. And probably the superior skill with which individuals manage their concerns and the competition between them, would enable the public to derive greater benefit

from private than from public banking, in all countries where there is wealth enough to carry it on; but private banking can never be carried on except in large towns and in a country full of people and wealth.

3. Banks afford the government facilities in borrowing money, which in times of emergency, may be very important.

This is all the benefit the public derives from banks as loan offices, for in the progress of this inquiry, it will be seen, that as loan offices to individuals, they are rather pernicious than salutary. In a country like this, where property and money have not accumulated to any considerable extent in private hands, it might frequently be impossible for the government to borrow any considerable sum of money, were it not for the incorporated banks. But such is not the case in England—there the government can always borrow all the money it wants of individuals, and hereafter that may be the case in this country, and then banks will be of no farther utility here in this particular.

4. Banks furnish a more convenient currency than gold and silver, although its liability to be counterfeited, is a strong objection to it.

The foregoing are all the public interests which

these institutions can subserve, although not all that have been claimed for them. That they augment the productive capital of the country, and in other ways promote public wealth as their advocates have claimed for them, is altogether an erroneous opinion.

Against the foregoing public benefits arising from banks, must be set off many public evils to which they are liable, and which they invariably cause, in a greater or less degree. It is in the discharge of their functions as loan offices, and as manufacturers of paper money, that banks are injurious to the public. It is by uniting these functions that the injury is produced. By being loan offices, they are enabled to loan all the money they can make, or at least, as much as they please; and by being the manufacturers of a paper currency, they are enabled to make as much money as they can loan. So long as these two functions are united in the same body, they must and will be exercised to the prejudice of the public, provided there is any diversity between public interests and individual gain.

It is a common opinion, that the interests of the stockholders of a bank, are in unison with the interest of the public, but this is a deplorable error. Their interest, are directly opposed, so

far as a bank performs the function of a loan office. It would be the interest of the stockholders to loan their money at an interest of ten per cent, and to discount their credit, or what is the same thing, their notes, to ten times the amount of their capital, which would give them ninety per cent interest on their stock, but will any human being pretend, that it would be for the interest of the public, that they should be enabled to do this?

This is, however, the principle upon which our banks are established. Taking it for granted, according to the doctrine of Adam Smith, that the interests of the stockholders and the public were identical, the banks are permitted to loan as much money as they please, and to make as much as they can loan, for their notes are money, so far as they serve as a circulating medium, and they are the same as money to the bank, so long as the public, or individuals, will pay interest for them, and if the banks do not discount their notes to ten times the amount of their capital, and consequently, obtain ten legal interests for their money actually invested in the stock of the bank, it is not owing to the wisdom of the government in restraining them from doing so, nor to their own forbearance in exer-

cising the privileges conferred on them, but to their inability to obtain responsible borrowers.

They are, it is true, required to pay specie for their notes, and this may be considered a restraint upon the issues of their paper; but if their borrowers were all solvent, and would pay their notes when due, a bank might with very little difficulty keep in circulation, and of course, obtain interest on their own notes, to ten times the amount of their capital. Had the banks, therefore, been able to exercise the powers and privileges bestowed upon them by the government, of loaning as much money as they please, and of making as much as they can loan, to the full extent that their interests would dictate. it is certain that they would long before now, have become possessed of every foot of property in the country, which would have been paid to them in the shape of interest for their money. But although the good sense of the community has prevented the principle upon which the banks are established, from being carried to such an extreme as to ruin the country, it has not prevented it from being carried to such an extreme, as very much to injure it.

If the banks subserve the public interests by loaning their notes to twice the amount of their

capital, then, upon the same principle, they would subserve the public interests ten times as much, by loaning their notes to ten times the amount of their capital, provided they could lend it to solvent borrowers who would repay them with interest; but when the principle is pushed to this extent, every one perceives its absurdity, which is proof that the principle is itself unsound.

The public derive no benefit whatever from banks loaning their paper to a greater amount than their capital. The stockholders undoubtedly derive a benefit from it, as it enables them to obtain double the amount of legal interest for their money; but individual gain is not always a public benefit, and all that these individual stockholders gain by this contrivance, the public or other individuals must lose.

The following are the principal evils which the public sustains from banks performing the functions of loan offices, and being permitted to manufacture all the money they can lend.

1. They increase the quantity of circulating medium, and thereby depreciate its value.

The advocates of the banking or paper system, contend that by substituting a paper for a metallic currency, the productive capital of the

country is augmented in proportion to the amount of the substitute. Thus Adam Smith says, that "when paper is substituted in the room of gold "and silver money, the quantity of the materials, "tools and maintenance, which the whole circu- "lating capital can supply, may be increased by "the whole value of gold and silver, which used to "be employed in purchasing them."* And Alex-

* Wealth of Nations, book ii. chap. 2.

Mr. Say has adopted Adam Smith's theory of the banking system, and his reasoning upon it is so very extraordinary, that I cannot forbear quoting it. He says, "it is a matter no "less of curiosity than of importance to inquire, whether bank "notes, or paper destitute of intrinsic value, be any addition "to the stock of national wealth, and what, if any, is the pos- "sible extent of that addition; for were there no limits to it, "there could be no end to the wealth, that a state might ac- "quire in a short time, by the mere fabrication of some reams "of paper. The solution of this grand problem, may be set "down as one of Smith's happiest efforts, yet it is not every "body that comprehends his reasoning. I will try to render "it more generally intelligible.

"Taking it for granted, that the specie remaining in circu- "lation within the community, is limited by the national de- "mand for circulating medium, if any expedient can be "devised for substituting bank notes, in place of half the specie "or the commodity money, there will evidently be a super- "abundance of metal money, and that superabundance must "be followed by a diminution of its relative value. But as "such diminution in one place, by no means implies a cotem- "poraneous diminution in other places, where the expedient of "bank notes is not resorted to, and where, consequently, no

ander Hamilton in his Report on a National Bank, enumerates among the principal advantages of a bank, "the augmentation of the active or produc- "tive capital of the country." And again, he says, "it is a well established fact, that banks in credit "can circulate a far greater sum, than the actual "quantum of their capital in gold and silver. The "extent of the possible excess seems indetermi- "nate; though it has been conjecturally stated at

"such superabundance of the commodity, money, exists, money "naturally resorts thither, and is attracted to the spot, where "it bears the highest relative value, or is exchangeable for the "largest quantity of other goods; in other words, it flows to "the market where commodities are cheapest, and is replaced "by goods of value equal to the money exported.

"The money that can emigrate in this manner, is that part "only of the circulating medium, which has a value elsewhere "than in the limits of the nation; that is to say, the specie or "metal money. Since, however, specie does not emigrate, "without an equivalent return, and since its value, which "before existed in the shape of specie, and was exclusively "engaged in facilitating circulation, thenceforth assumes the "form of a variety of commodities, all items of the reproduc- "tive national capital, there follows this remarkable conse- "quence, that the national capital is enlarged to the full "amount of all the specie exported upon the introduction of "the substitute.

"No writer of repute has ventured to estimate the requi- "site circulating specie of any nation higher than one-fifth of "the annual national product; some indeed have reckoned it "as low as one-thirtieth. Taking the highest estimate, viz.

"the proportion of two and three to one." After stating the means by which a bank is enabled to circulate its own paper to a greater amount than its capital, he illustrates the position, that it is one of the properties of a bank, to increase the active capital of the country in the following terms. "The money of one individual, while he "is waiting for an opportunity to employ it, by "being either deposited in the bank for safe keep- "ing, or invested in its stock, is in a condition to "administer to the wants of others, without being

"one-fifth of the annual product, a nation whose annual product "should amount to twenty millions, would need but four mil- "lions of specie. Therefore in case the half or two millions "were supplanted by circulating paper, and employed by aug- "menting the national productive capital, that capital would "be once for all augmented by a value equal to two-twentieths "or one-tenth of the annual product of the nation."—*Say. Pol. Econ.* book i. chap. 22.

According to this theory then, by putting in circulation two millions of paper dollars, and thereby forcing out of the country two millions of specie dollars, the productive capital of the country will be augmented two millions of dollars, and so in proportion to the quantity of the paper substitute. The conclusion is a triumphant refutation of the theory. For what is the specie to be exchanged? For foreign products, which must be consumed or exported, and when consumed or exported, where is the increase of wealth? If foreign nations would give their valuable products for your paper, instead of your specie, then public wealth would be increased by it; more especially, if the paper was never to be redeemed!

"put out of his own reach, when occasion pre-
"sents. This yields an extra profit, arising from
"what is paid for the use of his money by others,
"when he could not himself make use of it, and
"keeps the money itself in a state of constant
"activity. This additional employment given to
"money, and the faculty of the bank to lend and
"circulate a greater sum than the amount of its
"stock in coin, are to all the purposes of trade
"and industry an absolute increase of capital."

Hamilton in his Report on a national bank adopted the theory of Adam Smith, and of course went astray. He took it for granted, that public and private wealth were identical, and that individual profit was public gain, and hence he concluded, that if those who had money, could always keep it at interest, and be enabled also to lend twice or three times as much as they actually possessed, the public would be a gainer. It is, however, a fundamental error to suppose, that the active or productive capital of a country can be augmented in value by substituting a paper for a metallic currency, and it is also a gross error to suppose, that individual profit is always public gain.

It is, no doubt, true, that the quantity of circulating medium or money, may be increased by

means of a paper currency, but it is also true, that in proportion, as it is increased in quantity, it must be depreciated in value, so that a paper currency has no more effect in augmenting the capital of a country, than changing the denomination of the coin, would have, and it will hardly be pretended, that the value of dollars would be enhanced, by calling them eagles. If any proposition in the science of political economy be susceptible of demonstration, it is, that increasing the quantity of money necessarily depreciates its value in proportion to the increase.—Value we we have already seen, is the relation or proportion which one commodity bears to other commodities; and it is self-evident, that if the quantity of either is increased without increasing the other, that relation or proportion must be changed, and of course their value must be changed.

If the quantity of money in the world, should be suddenly doubled, it is very clear, that the same quantity of money, would not exchange for the same quantity of property as before. If then the quantity of money is increased without increasing the quantity of property in like proportion, the relation they bare to each other, is changed, and it matters not, whether we say, that money has depreciated, or that property has

appreciated in value, for these are precisely equivalent expressions. But as money is the measure and standard of value; and as a paper dollar is of equal value with a silver one, so long as the bank will pay specie for it, the depreciation of the circulating medium in consequence of the paper currency, is not so apparent, as the appreciation in the price of property, and for that reason, it may be better to say, that increasing the quantity of circulating medium, increases the price or nominal value of property.

But if the quantity of property is not augmented, a nation can derive no benefit whatever from increasing its price in its own market, and a paper currency can have no effect in raising its price in a foreign market. A paper currency may vary the existing relation between money and property in the country, through which the paper circulates, but no farther. and hence arises one of the principal evils of bank-paper currency. It raises the price of property in the domestic market above its natural level, without affecting its price in foreign markets. and consequently it tends to produce an unfavourable balance of trade, and those who purchase for a foreign market, are subjected to a loss equivalent to the fictitious increase of price, which the commodity

had acquired, in consequence of the paper currency. If in consequence of a plentiful manufacture of paper money by the banks, and a liberal effusion of it upon the public, in the shape of loans, tobacco and cotton should be raised ten per cent above their natural price in the American market, while they retained their natural price in foreign markets, the consequences would be very disasterous to the merchants who dealt in those articles, and ultimately to the farmers and planters who cultivate them.

As the only effect, therefore, which a paper currency can have, is to change the existing relation or proportion between the quantity of money and property in a country, it can neither increase the active or productive capital of that country. The banking system may for a time promote the circulation of money, and in that way serve as a temporary stimulus to industry, but the good effects of this temporary stimulus are more than counterbalanced by the evils which attend it.

"We find," says Hume, "that in every coun-
"try into which money begins to flow in greater
"abundance than formerly, every thing takes a
"new face; labour and industry gain life; the
"merchant becomes more enterprising, the manu-
"facturer more diligent and skilful, and even the

"farmer follows his plough with greater alacrity "and attention. This is not easily to be account- "ed for, if we consider only the influence which a "greater abundance of coin has in the kingdom "itself, by heightening the price of commodities, "and obliging every one to pay a greater number "of these little yellow and white pieces for every "thing he purchases. And as to foreign trade, it "appears, that great plenty of money is rather "disadvantageous, by raising the price of every "kind of labour.

"To account, then, for this phenomenon, we "must consider, that though the high price of "commodities be a necessary consequence of the "increase of gold and silver, yet it follows not im- "mediately upon that increase; but some time is "required before the money circulates through the "whole state, and makes its effects be felt on all "ranks of people. At first, no alteration is per- "ceived; by degrees the price rises, first of one "commodity, then of another, till the whole at "last reaches a just proportion with the new "quantity of specie which is in the kingdom. In "my opinion, it is only in this interval or inter- "mediate situation, between the acquisition of "money and rise of prices, that the increasing "quantity of gold and silver is favourable to

"industry. When any quantity of money is "imported into a nation, it is not at first dispers- "ed into many hands, but is confined to the cof- "fers of a few persons, who immediately seek to "employ it to advantage. Here are a set of man- "ufacturers or merchants, we shall suppose, who "have received returns of gold and silver for "goods which they sent to Cadiz. They are "thereby enabled to employ more workmen than "formerly, who never dream of demanding "higher wages, but are glad of employment from "such good paymasters. If workmen become "scarce, the manufacturer gives higher wages, "but at first requires an increase of labour; and "this is willingly submitted to by the artisan, "who can now eat and drink better, to compen- "sate his additional toil and fatigue. He carries "his money to market, where he finds every "thing at the same price as formerly, but returns "with greater quantity, and of better kinds, for "the use of his family. The farmer and gar- "dener, finding that all their commodities are "taken off, apply themselves with alacrity to "raising more; and at the same time can afford "to take better and more clothes from their "tradesmen, whose price is the same as formerly, "and their industry only whetted by so much

"new gain. It is easy to trace the money in its "progress through the whole commonwealth, "where we shall find, that it must first quicken "the diligence of every individual, before it "increases the price of labour."

"A nation, whose money decreases, is actually "at that time weaker and more miserable than "another nation which possesses no more money, "but is on the increasing hand. This will be "easily accounted for, if we consider that the "alterations in the quantity of money, either on "one side or the other, are not immediately at-"tended with proportionable alterations in the "price of commodities. There is always an "interval before matters be adjusted to their "new situation; and this interval is as pernicious "to industry, when gold and silver are diminish-"ing, as it is advantageous when these metals "are increasing. The workman has not the same "employment from the manufacturer and mer-"chant, though he pays the same price for every "thing in the market. The farmer cannot dis-"pose of his corn and cattle, though he must pay "the same rent to his landlord. The poverty, "and beggary, and sloth, which must ensue, are "easily foreseen."*

* Essay on Money.

2. Banks enable money lenders to obtain usurious interest for their actual money.

This they are enabled to do, by lending their credit, and receiving interest for that, as well as for their money. There is no more reason why a man, or a body of men, should be permitted to demand of the public, interest for their reputation of being rich, than there would be in permitting a man to demand interest for the reputation of being wise, or learned, or brave. If a man is actually rich, it is enough for him to receive interest for his money, and rent for his land, without receiving interest for his credit also, and although the disciples of Adam Smith may tell us, that public wealth will be augmented by so much as the wealth of an individual is increased, and therefore, the more interest an individual obtains for his money and his credit, the more the public will be benefitted, yet there are those who cannot subscribe to such a doctrine.

That the stockholders of a bank, (who are but money lenders, so far as the bank performs the functions of a loan office) who receive more than the legal rate of interest as dividends on their stock, do in reality receive usurious interest for their money although they charge no more than six per cent interest on the loans they make,

can no more be doubted, than it can be doubted that a man who increases the weight of his cotton by putting stones into the bales, and then sells it, stones and all, at the market price, does in reality receive more than the market price for the cotton. The law says, a man may charge six per cent interest for the use of his money, and forbids him to charge more under the penalties of usury; but a bank says its credit is money, and undertakes to put its credit into a tangible shape, so that it may be used as money, and then by loaning one dollar in money, and two dollars of its credit, and calling it all money, and charging the legal rate of interest on the whole, it obtains two or three times the rate of legal interest for its actual money, and this the public submit to with many thanks as a special favour.

To coin money, and furnish the public with a circulating medium, as a measure of value, is a portion of the sovereign power, which appertains to, and ought to be exercised by every sovereign state; but in this country, this power is surrendered to the banks, upon condition that they will only charge legal interest for their credit and reputation of being rich, as well as for the use of their money.

I see no difference between receiving twelve per cent interest on one thousand dollars, and between lending one thousand dollars and calling it two thousand, and receiving six per cent interest on those two. The right to loan credit, or what is the same thing, to manufacture money, is confined to the banks, and every dollar of paper money put in circulation above their actual specie capital, depreciates the value of the currency in proportion, so that the public derives no benefit from a bank lending its notes to twice the amount of its capital, which it would not derive from its charging twelve per cent interest on its actual capital, without issuing any notes, except the greater conveniency of a paper over a metallic currency. There is, however, this difference between being allowed to charge twelve per cent interest for the real money loaned, and being allowed to obtain twelve per cent for the amount of money actually invested in the stock of the bank, by manufacturing and lending such an amount of paper money as will produce a dividend on the stock of twelve per cent. In the one case, the usurious interest is all paid by the borrower,—in the other, it is averaged upon the whole community. Every man in the community who has a dollar, suffers a depreciation of

that dollar in proportion to the amount that paper money has increased the quantity of circulating medium, and the manufacturers of that paper money, receive a benefit equal to the amount of such depreciation. So that the whole community is taxed for the benefit of these money makers and money lenders.

3. Banks promote extravagant speculation.

None of the great and substantial departments of industry, can be prosecuted with money borrowed at bank interest. No man can reasonably calculate that the ordinary profits of commerce will be sufficient to enable him to pay bank interest for his capital, and live by his business, and much less can he expect that the profits of agriculture or manufacture, will enable him to pay such interest. The difference between rent and interest, and the cause of that difference, have been already explained; and it is manifest that if the ordinary profits of a particular business, be less than the rate of interest, the business cannot be carried on with money loaned by banks. If rent be four per cent and interest six, a man who hires money, either to buy or cultivate land, will soon find himself in the road to ruin. For the same reason the business of manufacture, cannot be carried on with money

loaned by banks. Speculation is the only business that can be followed with money loaned of banks, and hence we always find that speculation is most rife, where banks are the most abundant, and where they deal out their notes the most profusely.

A man who has obtained a loan or a discount as it is called, at bank, can never employ that money in agriculture, manufacture, or in regular commerce; for the ordinary profits arising from these occupations, are not sufficient to pay the interest; but he must employ it in some adventurous speculation, which, if successful, will enable him to pay the interest and leave him a profit, but which, if unsuccessful, may bring him to ruin. Hence, wherever banks have been established in the interior of the country, and the farmers and planters have become the principal customers of the bank, they have generally been ruined. This ever has, and ever will be the case, so long as the rate of rent is lower than the rate of interest, and rent in all countries, is always two or three per cent lower than interest.

4. Banks cause sudden fluctuations in the value of property, and consequently produce extensive failures.

This must forever be the case so long as the banks have the privilege of manufacturing as much money as they can loan. The price of property depends on the quantity of money, or its representative bank paper, and a liberal issue of paper, or liberal discounts as the phrase is, will just as certainly raise the price of property, as the application of heat, will raise the mercury in a thermometer, and after the price has thus been raised, a contraction of the issue, will for the same reason, lower the price, and many of those who have purchased at the height of the price, must become bankrupts. Thus the banks have it in their power to keep property constantly in a state of fluctuation. Whether bank directors will exercise this power, with a view to their own speculations, is not for me to say—If they do not, they exercise a very unusual degree of forbearance, and for a whole community, to be placed in the power of a few bank directors, who can at pleasure raise and depress the price of property, and reduce to bankruptcy those very persons who were induced to engage in speculation by the facilities the banks afforded for borrowing money, is at all events a very hazardous expedient for promoting the wealth and prosperity of the community.

more especially when the private interests of those directors prompt them to do this.

5. Banks have a tendency to banish the precious metals from the country.

As Adam Smith has illustrated this branch of the subject in a much more forcible manner than I am capable of doing, I shall quote and adopt his language, although the conclusion I shall draw from the same premises, will be different from his. "Let us suppose for example, "that the whole circulating money of some par- "ticular country amounted at a particular time "to one million sterling, that sum being then suf- "ficient for circulating the whole annual produce "of their land and labour. Let us suppose too, "that some time thereafter, different banks or "bankers issue promissory notes payable to the "bearer, to the extent of one million, reserving "in their different coffers two hundred thousand "pounds to answer occasional demands. There "would remain therefore in circulation, eight "hundred thousand pounds in gold and silver and "a million of bank notes, or eighteen hundred "thousand pounds of paper and money together. "But the annual produce of the land and labour "of the country had before required only one "million to circulate, and distribute it to its pro-

"per consumers, and that annual produce cannot "be immediately augmented by those operations "of banking. One million therefore will be sufficient to circulate it after them. The goods "to be bought and sold, being precisely the same "as before, the same quantity of money will be "sufficient for buying and selling them. The "channel of circulation, if I may be allowed "such an expression, will remain precisely the "same as before. One million we have supposed "sufficient to fill that channel. Whatever therefore is poured into it beyond this sum cannot "run in it, but must overflow. One million eight "hundred thousand pounds are poured into it. "Eight hundred thousand pounds therefore must "overflow, that sum being over and above what "can be employed in the circulation of the country. But, although this sum cannot be employed at home, it is too valuable to be allowed to "lie idle. It will therefore be sent abroad in "order to seek that profitable employment which "it cannot find at home. But the paper cannot "go abroad, because at a distance from the banks "which issue it, and from the country in which "payment of it can be exacted by law, it will not "be received in common payments. Gold and "silver therefore to the amount of eight hun-

"dred thousand pounds, will be sent abroad, "and the channel of home circulation, will re- "main filled with a million of paper, instead of "the million of those metals which filled it "before."*

This is no doubt a correct explanation of the operation of banks, in forcing the precious metals out of the country, but it is not true, as this theory supposes, that the channel of circulation will hold so much currency, and no more, and that whatever is poured into it beyond this sum, must overflow. The quantity of currency in a country may be very considerably augmented by means of bank notes, although the notes are at par, with gold and silver, or in other words, although the banks pay specie for their notes, and it is this increase in the quantity of the currency, which causes the depreciation in the value of money, or what is the same thing, the appreciation in the price of property.

The gold and silver thus forced out of the country by means of the bank paper, Adam Smith supposes, will be invested in foreign goods of various descriptions, upon which the merchants will make a profit, and that although some part of it will be employed in purchasing articles

* Wealth of Nations, book ii. chap. 2.

of luxury, to be consumed by the idle, and will, therefore, be hurtful to the nation, yet the greater part will be employed in purchasing "an addi- "tional stock of materials, tools and provisions, in "order to maintain an additional number of indus- "trious people, who reproduce with a profit the "value of their annual consumption:" And that the nation will therefore, upon the whole, derive a benefit from the precious metals being forced out of the country by a paper currency. As a general rule, this conclusion is most undoubtedly erroneous. That a nation may frequently derive an advantage from exchanging its gold and silver for the commodities of other nations, is certainly true, but the policy of forcing the precious metals out of the country, by substituting a paper currency in their place, or by any other artificial system, is at least as questionable as the policy of prohibiting their exportation.

Gold and silver money possess an intrinsic value, and constitute a part of the property of the nation, as much as its houses and lands. This money is an essential part of a nation's means, for carrying on the various departments of industry, as much as its public roads, mills and other improvements, and a nation who exchanges this money for foreign commodities, whether luxuries or necessa-

ries for consumption, diminishes its resources for future production, and does an act of improvidence, similar to that of a man who eats his seed-corn instead of planting it.

The economy of a nation that exports its gold and silver to purchase commodities for its own consumption, very much resembles the economy of a farmer who, in autumn, sells his carts, ploughs, and implements of husbandry, to purchase food and clothing for his family during the winter. It is better, undoubtedly, to sell these articles, than to starve or freeze, but it would have been better economy still, to have provided his family with all the necessaries of life by his own industry, during the summer; and as to luxuries, he had better do without them, until he can pay for them, without selling his carts and ploughs: And so a nation, unless it is in want of the necessaries of life, had better do without foreign commodities, until it shall have some other means of paying for them besides its gold and silver, or until the ordinary products of labour shall be adequate to pay for them.

The annual product of labour ought to be adequate to supply a nation with all it consumes, and whenever this is not the case, it is a sure sign that the nation is declining in wealth and pros-

perity, and this is always the case, when the money of a nation is exported to pay for any part of those foreign commodities, which a nation annually consumes.

By forcing the money out of the country, banks tend to produce an unfavourable balance of trade, by encouraging large importations of goods, which the productions of the country are not sufficient to pay for. This policy encourages that unthrifty practice among the people of living on credit, calculating to pay for what they consume this year, with what they expect to produce by their labour next year. So far, therefore, as banks tend to force the precious metals out of the country, they are prejudicial to the nation.

We are next to inquire, whether the evils of the banking or credit system can be remedied.

All the evils result from the banks uniting the functions of loan offices and manufacturers of a paper currency. So long as banks are permitted to manufacture as much money as they can loan with safety, there will be an excessive issue of paper currency, unless some farther restraint than that of paying specie for their notes, shall be placed upon the banks. There will always be needy persons enough to borrow all the

money the banks will lend, and persons weak enough to believe, that they can make a profitable use of the money, and who will therefore comply with the terms prescribed by the banks for lending. And if all the evils of an excessive issue of paper currency fell upon those who improvidently borrowed it of the banks, there would be some reason in leaving them to the consequences of their folly, but such is not the fact.—The public sustains an injury from this excessive issue of bank paper, and it ought, therefore, to be prevented, if practicable.

The excessive issues of paper, can only be prevented either by taking from the banks the power of manufacturing money, or loaning their credit; or by taking from them the motive to lend above a certain amount. If we are to have a bank paper currency, it seems proper that it should be under the control of the government. If the government will not adopt the plan suggested in the chapter on money, in the first volume, let it take into its own hands the engraving and manufacturing of bank notes, all except the signatures, and establish a mint, and appoint officers under proper responsibilities for that purpose.—The banks are to be permitted to issue no paper except what they obtain at this office of the go-

vernment.—The government is then to determine the amount of paper the banks are to be permitted to loan in proportion to the amount of their capital—and upon the incorporation of a bank, and proof being furnished of the amount of specie or capital paid in, so much paper is to be furnished the bank, as the government has fixed upon, as the quantity which the bank may issue in proportion to the amount of its capital. If the bank has a capital of a hundred thousand dollars paid in, then the government may let it have, fifty, or a hundred, or hundred and fifty thousand dollars in notes, according to the proportion previously ascertained by law, and all the banks are to have the same amount of paper in proportion to their capital. For this paper the banks are to pay nothing, except it be the expense of making it. Whenever these notes become worn, they may be exchanged for new ones, but the government is to issue no new ones to the bank, except in exchange for the old ones. These old ones, when they come into the possession of the government, are to be destroyed. In some such way as this, it would seem that the banks might be restrained from excessive issues of a paper currency, which is the cause of most of the evils the public at present sustains from the bank-

ing system. This would not in any measure interfere with the benefits the public at present derives from banks.

But if such a plan should be thought impracticable, and the banks are to retain the power of manufacturing their own notes to as great an extent as they please, the only alternative for remedying the present evils, is to take from the banks the motive to loan more than a certain amount of their paper in proportion to the amount of their capital. The only way in which this can be done, is for the government to take all the excess of a certain rate of interest, which the bank makes on its capital. The banks are to be permitted to make and loan as much money as they please, but all the interest they make over a certain per centum, the government is to take for the benefit of the public, upon the ground that it has been made at the expense of the public. The maximum of bank dividends is to be ascertained by law at six or seven per cent, as the government in its wisdom shall think the public interest require, and then all that the banks make more than that, is to belong to the government or the public. This will take from the banks the motive to lend more than a certain amount of their credit, and prevent excessive issues of bank

paper. I see no other means of remedying the evils of the banking system, unless it be by abolishing it altogether, which may be done without any inconvenience to the public, provided the general government will furnish the nation with a paper currency which shall be the actual representative of a metallic one, as suggested in a preceding chapter.

SECTION II.

The Funding System.

Funding a public debt is in some respects similar in principle to the banking system, although attended with none of the evils of the banking system. By funding the debts which a government owes its citizens, a species of property is created, which is found exceedingly useful to people in various conditions in life, and answers in some measure the purposes of money in the different transactions of life.

By creating a stock, which bears a permanent interest, a species of property is created, in which women, children, and other classes of the community, who cannot be employed in active business, or who are incapable of managing their own property to advantage, may invest their money for the benefit of the public, and receive a certain annuity in return. This is a very great convenience to the public.

Public stock also, as it always bears a permanent interest, has a more invariable value, than any other species of property, unless it be money, and as it is easily transferred from one to another, it serves as a sort of standard or measure of value, the same as money, and answers many of the purposes of money, in making exchanges of property and in facilitating commerce. As it bears about the same value in all parts of the commercial world where the government is in good credit, and as it is much more easily remitted from place to place than gold and silver, it is more convenient than those metals, or even bills of exchange for the purpose of transmitting funds to distant places, for bills on particular places cannot always be had.

Even when a government is not in debt to its citizens, there is no doubt but that public wealth

may be promoted by the government borrowing money and issuing stock for it, provided the money is prudently expended in prosecuting some work of public utility, but when a nation is already in debt, there can be no question but what funding that debt at the legal rate of interest will be highly beneficial to the nation, in stimulating its industry and enterprise. The funding our public debt in 1790, is a memorable example of the efficacy of such measures in promoting national wealth.

Without entering at all into the merits of the question which at that time agitated the public, as to the justice of that measure, it must at this day be admitted, that it had a most beneficial influence upon the wealth of the nation, not by adding any thing to the actual property of the nation, but by stimulating its industry and enterprise. For the matter of the argument, it may be conceded, as was contended by those who opposed the measure, that it was unjust, and took money from one part of the community, to put into the pockets of another part; and the concession will not affect the utility of the measure, in promoting national wealth. Whether unfortunately or not, I shall not attempt to decide; yet so it is, that the utility of a measure, in promoting

national wealth, does not always depend upon its justice.

The funding of the debt, promoted the circulation of money, which always indicates briskness and activity of business, by increasing the fortunes of the public creditors. It gave them a draft, or mortgage, on the industry of the country, which the government engaged to pay, by passing tax-laws for that purpose. This fell lightly on the people, and affected them almost imperceptibly. This increase of fortune inspired the enterprise, and stimulated the industry of the public creditors. They were among the most influential and intelligent men in the country. The spirit thus infused into them, they communicated to their neighbours and dependents, so that the whole community became in a greater or lesser degree electrified with it. The gross amount of the industry of the nation was greatly augmented, not by augmenting the actual property, or as Adam Smith would say, the capital of the nation, but by giving new energy to the cause of wealth—to the bones and sinews of the nation.

This gave an impetus to national industry, which carried it much beyond the point of paying the additional taxes, imposed in consequence of funding the debt, at its nominal value. Had

not the industry of the nation been increased by funding the debt, the public would have derived no benefit from that measure, whatever individuals might have done. Public wealth would not have been augmented thereby, although individuals might have made fortunes, by purchasing the soldiers' claims, and by speculating in the stocks. Increasing the fortunes of individuals does not necessarily increase public wealth, unless the gain is caused by an increase of industry; for what one gains by speculation, another must lose.

It may so happen, therefore, that measures which tend to produce an unequal division of property, may promote national wealth; but this is under very particular circumstances, and the measures themselves must be temporary in their duration.

CHAPTER VIII.

Of Monopolies and Colonial Systems.

The publication of the "Wealth of Nations," produced an almost universal clamour against monopolies, which has continued without abatement, to the present time. They are represented as illiberal and arbitrary in their nature, and calculated to produce an unnatural restraint upon the freedom of trade, which ultimately is alike prejudicial to the best interests of the nation that enjoys the monopoly, and to all other nations.

But although Dr. Smith succeeded in raising such a prejudice against monopolies, that a writer who shall have the hardihood to defend them from obloquy, runs the risk of being laughed to scorn; yet England more especially, and all other nations to a greater or less degree, have continued to pursue the monopolizing system, and

no doubt will continue to pursue it, so long as the world shall continue divided into separate independent nations.

A colonial system, is a species of monopoly, and is governed by the same principles. It may, therefore, be treated of, under the head of monopolies.

The object of all colonial systems, is to give the parent country the exclusive benefit of the colony trade, and the only question is, whether this monopoly is beneficial or otherwise, or whether the benefit which the parent country derives from it, is greater than the injury which it occasions to the colony, or whether, on the whole, the monopoly produces a national benefit, the colony being considered a part of the nation.

If a monopoly of the colony trade cause more injury to the colony, than benefit to the parent country, then the monopoly, considering the colony as a constituent part of the nation, is a positive injury to the nation, and ought to be reprobated by all honest men, and abandoned by the government, as a vicious and abominable thing. If the benefits and injuries balance each other, it ought also to be abandoned, as an unnecessary, vexatious policy, which can do no good, and may produce much injury. But, if a colo-

nial policy, or a monopoly of any kind, which places some restraints upon the freedom of a colony trade, or upon the trade of foreign nations, produces more benefit to the nation, including the colony as a constituent part of the nation, than injury; then ought a nation, that has colonies, to adopt a colonial system of restrictions upon that trade, upon the principle that a nation is a unity, and that the interests of the few, ought to yield to the interests of the many. Admitting that a free trade would be most beneficial to the colonies, and it will not follow, that a system of free trade should be adopted by the parent country; it must appear, that such a system, will be most for the interest of the whole nation.

The internal policy of a nation, which includes the policy in regard to its colonies, should be modelled with a view to the general good. The welfare of the many, should never be sacrificed to that of the few. The greater good of the colonies, should never be sacrificed to the lesser good of the parent country; and a policy, adopted in violation of this universal law of justice, cannot fail ultimately to be ruinous to the country that adopts it.

In regard to foreign nations, the principle by which governments should be actuated, is

different. Every nation is to consult its own interests exclusively, without any regard to the interests of other nations. If a monopoly of any trade be beneficial to a nation, it cannot, nor ought it to forego the advantage of the monopoly, upon the ground that a free trade would be more beneficial to the general interests of mankind.

If governments could be administered upon the perfect principles of universal philanthropy, perhaps a nation might be required to forego an advantage to itself, upon the ground, that the interests of other nations required it, although even then it would be doubtful; for these principles, by such expansion, become so dissipated, as to have no efficacy or power, and the old adage, "charity begins at home," is no doubt, the best commentary that ever was written, upon the doctrines of universal philanthropy.

But, at any rate, in the present state of the world, it would be chimerical, to the last degree, for a political economist to discuss the question, how far a nation should be governed in its policy towards other nations, by the principles of universal philanthropy.—At present, the duties of government extend no farther than to the protection of its own citizens, and the promotion of its

own national wealth; and any chimerical notions of universal philanthropy, which carry the duty of a government to the superintendance, or consideration even, of the interests of the citizens of a foreign country, are as unwise as they are impracticable. With this explanation of the principles by which nations are to be governed, in regard to monopolies and colonial systems, we are prepared to examine the influence which monopolies are calculated to have on national wealth.

It may here be observed, that the benefit of a colonial policy, or monopoly trade of any kind, like every other measure, will depend, in a great degree, upon the particular circumstances of each case, and should always be regulated, with a view to those circumstances. At one period, a colonial or other monopoly may be beneficial to a nation, at another time it may not; and the benefit will, at all times, depend on the judicious regulation of the monopoly.

The benefit of a monopoly must arise from the stimulus which it affords to national industry. A monopoly cannot promote national wealth, by augmenting the quantity of specie or circulating medium in a country; nor by an accumulation of the product of labour above con-

sumption, because national wealth does not consist in these.

Money is always plenty or scarce, in proportion to the rapidity or sluggishness of the circulation, and not in proportion to the quantity a nation possesses. A rapid circulation, indicates activity in business, and a demand for labour. A sluggish circulation, indicates stagnation in business, and a discouragement to labour. An accumulation of the products of labour, is always attended with national distress, and a want of employment by the labouring classes. A monopoly, to be beneficial, must promote the consumption of the product of a nation's labour, and prevent accumulation. If it has this effect, it will also have the effect to accelerate the circulation of money, and make it plenty. This will give life, energy, and activity, to industry and enterprise, and augment the quantity of labour, which is the cause of national wealth.

Monopolies may be divided into two classes. *Public*, or national monopolies, and *private*, or individual monopolies.

Although this distinction between the two kinds of monopoly, or rather this division of monopoly, is as broad and manifest, as the distinction between nations and individuals, or be-

tween national and municipal law; yet it has not usually, if ever, been insisted on by any writer on political economy; and hence has arisen the greater part of that general abuse which has been bestowed upon monopolies. Dr. Smith, in the "Wealth of Nations," makes no distinction whatever between public and private monopolies, but applies to both the same sweeping terms of denunciation.

The two kinds are, however, totally distinct in their character, and are governed by entirely different principles; and for a writer to class them together, and pronounce an indiscriminate judgment of condemnation upon the whole, because of the civil tendency of some, is not less absurd than to pronounce an indiscriminate judgment of condemnation upon all men, because of the wickedness of some, or upon all laws, because some are oppressive. It was not, however, to be expected, that a writer who made no distinction between a nation and the individuals composing that nation—who confounded national with individual interests, and concluded that, because parsimony in consumption was a means of promoting individual wealth, therefore, it must be the means of augmenting national wealth: it was not, I say, to be expected that a writer who made

such confusion of all other subjects relating to national wealth, would make a proper discrimination between public and private monopolies. A private monopoly may be very injurious to national wealth, but it does not therefore follow, that a public monopoly is so.

A public monopoly belongs to a nation—a private monopoly to an individual, to a corporation, or to some part of a nation only. A public monopoly gives a nation similar advantages over other nations, that a private monopoly gives a citizen over his fellow-citizens; and is beneficial, as a general rule, to national wealth, for the same reason that a private monopoly is prejudicial to national wealth. They are the same in principle, and the difference arises from the difference in the subjects to which they are applied. A public monopoly has a similar influence on national, that a private monopoly has on individual wealth. Private monopolies give one citizen an advantage over another, and are, for that reason, conducive to individual, but prejudicial to national wealth. Public monopolies give one nation an advantage over another, and are, for that reason, conducive to national wealth, although prejudicial to foreign nations.

Considering the whole world as one great community of nations, and then a monopoly to one nation might be prejudicial to the general interests of the world, in the same manner that a private monopoly is now prejudicial to the general interests of the nation. And a legislature, whose duty it should be, to protect and regulate the general interests of the world, would be bound to suppress national monopolies, upon the same principles that a legislature, whose duty it is to protect and promote national interests, is bound to suppress private monopolies.

Private monopolies are not injurious to those who enjoy them, nor is this the objection that is urged against them; but they are injurious and oppressive to those who are excluded from their enjoyment. All the citizens of a nation are entitled to the same rights, and should be governed by the same laws; and, therefore, private monopolies are unjust and oppressive. If nations were entitled to the same rights, and could claim to be governed by the same laws, then would national monopolies also be unjust and oppressive, and although they might promote national interests in the same manner that private monopolies now promote individual interests, still they ought not to be allowed.

It has never been pretended that private monopolies were not beneficial to those who enjoyed them. On the contrary, this constitutes the principal objection to them; for in proportion as they are beneficial to the monopolists, in the same proportion are they prejudicial to the rest of the community. So public monopolies, as a general rule, are beneficial to the nation that enjoys them, and may, for that reason, be prejudicial to other nations; still those other nations have no grounds of complaint, because their citizens owe no duties to a foreign government, and can claim no privileges from it. There is no hardship or injustice, in excluding foreign nations from a participation in our domestic trade, but there would be a very great hardship, as well as injustice, in excluding any portion of our own citizens from a participation in it.

The English do no injustice to the French, in excluding them from the trade of the English colonies, but there would be great injustice and oppression, in excluding the people of Liverpool from that trade. It is right for our government to exclude the English from trading directly from New-York to New-Orleans, but it would be oppression to exclude the people of Baltimore from the same trade.

There is, therefore, a plain difference in principle between public and private monopolies, and although one may be prejudicial to national wealth, it by no means follows that the other is; and, although one may be unjust and oppressive, it by no means follows that the other is. This difference existing in the nature of things, it is the duty of every writer on political economy, to discriminate between them, and all general sweeping denunciations of monopolies should be regarded as idle declamation.

As a general rule. private monopolies are prejudicial to national wealth, and are liable to all the objections and denunciations that writers on political economy, have pronounced against monopolies generally. To this general rule. however, there are many exceptions. There are numerous instances in which, for the purpose of accomplishing some specific object, or for the attainment of some national benefit, it may be expedient and useful to grant a private monopoly for a certain period.

Patents for useful inventions and improvements—copy-rights for literary productions, create private monopolies, in one sense of the word, although not in its ordinary sense. These are, no doubt, very useful as well as very just, and

have a tendency to promote enterprise and industry.

A nation may be desirous of establishing some useful manufactory, or to open some new source of trade, which is expected to be useful and important to the nation, at some future period; and for the attainment of these objects, it may be expedient to create a private monopoly for a limited period. This monopoly may be granted to a single individual, to a company, to a corporation, or to some particular town; and although the rest of the nation may be excluded from the benefit of it, still as the object is to promote national interests, and as it is the duty of every citizen to forego his own private advantage for the public good, no one will have a right to complain.

As a general rule, public or national monopolies of a colonial or any other trade, are calculated to promote national wealth, because they are calculated to give one nation advantages over other nations. To this rule also there are many exceptions. A nation may be so circumstanced, as to render a public monopoly of a colony trade useless to the parent country, and oppressive to the colonies, or it may be more oppressive to the colonies than beneficial to the nation. Public monopolies, although liable, are not so liable to abuse

as private monopolies. The former must be confined to the domestic and colonial trade of the nation; and to such advantages as one nation may, by means of commercial treaties, obtain over others. A nation may exclude all other nations from any participation in its domestic or colonial trade, but it cannot usurp the trade of an independent foreign nation. It may adopt a colonial policy, which shall be very oppressive to its colonies, and this is the extent of the abuse to which public monopolies are liable.

Every nation has a perfect right to a monopoly of its own resources—of its own industry, and of the benefit to be derived from its agriculture, commerce, and manufactures. A nation that excludes foreigners from its coasting trade, and from direct trade to its colonies, gives to its own citizens a monopoly of those trades. If this be a public monopoly, no injustice is done to any one, unless the restriction is a useless oppression upon the colonies.

Restriction on importations in foreign bottoms, and the exclusion of foreign bottoms from the domestic or coasting trade, create a monopoly in that trade. Restriction on the importations of foreign manufactures, creates a monopoly in manufactures to the extent of the

restriction, and becomes a complete monopoly, when it amounts to a prohibition. Restriction on the importation of corn, or other products of agricultural labour, creates a monopoly, *pro tanto*, in agriculture, and if these measures promote the general welfare of the nation, neither the individuals of the nation, nor foreigners have a right to complain. So long as the restriction applies only to foreigners, the monopoly is public, and although it may be injudicious, is not liable to much abuse, but as soon as it is converted into a private monopoly, it becomes partial and oppressive.

A private monopoly is an exclusion of a part of the citizens from a trade or employment, in which another part are permitted to engage. If New-York was the only port of entry in this country for tea, then the people of New-York would have a monopoly of that trade. If any company or corporation enjoy the same exclusive privilege, the monopoly might be still more oppressive, and such vexatious regulations and interferences by the government are extremely detrimental to national wealth.

Independent of all experience on this subject, it seems natural to conclude, that where a nation enjoys a monopoly, or exclusive privilege over

other nations, its wealth would be promoted in consequence of it.

If the United States had a monopoly of the trade of the West India islands, can it be doubted, that such a monopoly would stimulate our national industry? Would not an extensive market for our lumber and for the produce of our soil, furnish additional motives for labour? Would not such a market promote the consumption of it, and prevent the accumulation, which causes our present embarrassments, and the present stagnation of business? Had we such a monopoly, the inhabitants of those islands would afford a direct and immediate stimulus to our wood-cutters, sawyers, shipbuilders, sailors, and cultivators of the soil, by consuming the product of their labour, and giving them in exchange, the product of those islands. This would enable the people of this country to enjoy the necessaries and comforts of life in greater abundance. By becoming the carriers and venders of their commodities, more employment would be given to our shipping, which would swell the amount of our profits arising from the monopoly.

These are some of the sources from which the enormous mass of English wealth, has been

derived in the last two centuries. Why is it that England enjoys a greater degree of prosperity during a period of war with the other maritime nations of Europe, than during a period of peace? Is it not, because she then enjoys, to a greater extent, a monopoly of the commerce of the world? And if a monopoly of the trade of the whole world be beneficial, surely upon the same principle, a monopoly of the trade of a part of it, must be beneficial also, though in a lesser degree.

The advantage which a nation derives from a monopoly, does not proceed merely from the profits as such, which arise from the trade, but from the stimulus, which it affords to national industry. This is a very material distinction, and the principal one which distinguishes a public from a private monopoly. A private monopoly affords little or no stimulus to national industry, because it excludes all competition. Those who enjoy the monopoly, regulate the trade to suit their own individual interests, and never admit such a competition, as to lessen the profits on the articles of their trade. They look for large profits on a little labour, and a small consumption; while the interests of the nation require, that the profits should arise on a great deal of

labour, and on a large consumption. A private monopoly, therefore, stimulates the industry of but a few individuals, while a public monopoly opens a field of enterprise to a whole people, and often stimulates the industry of a whole nation.

Dr. Smith assumes it as a fact, that any diminution of the profits to the colonists on the production of their labour, in consequence of a colonial monopoly, discourages industry, and prevents production, or as he expresses himself, "hinders "at all times their capital from maintaining so "great a quantity of productive labour, as it "otherwise would maintain."

"The monopoly of the colonial trade by "excluding the competition of other nations, and "thereby raising the rate of profit, both in the "new market and in the new employment, draws "produce from the old market and capital from "the old employment. To augment our share "of the colony trade beyond what it otherwise "would be, is the avowed purpose of the mono- "poly. If our share of that trade were to be no "greater with, than it would have been without "the monopoly, there could have been no reason "for establishing the monopoly. But whatever "forces into a branch of trade, of which the re- "turns are slower, and more distant than those of

"the greater part of other trades, a greater pro-
"portion of the capital of any country, than what
"of its own accord would go to that branch, ne-
"cessarily renders the whole quantity of produc-
"tive labour annually maintained there—the
"whole annual produce of the land and labour of
"that country, less than they otherwise would
"be. It keeps down the revenue of the inhabi-
"tants of that country, below what it would na-
"turally rise to, and thereby diminishes their
"power of accumulation. It not only hinders at
"all times, their capital from maintaining so
"great a quantity of productive labour, as it
"would otherwise maintain, but it hinders it
"from increasing so fast as it would otherwise
"increase, and consequently from maintaining so
"great a quantity of productive labour."*

A strange fallacy lies at the bottom of Dr. Smith's reasoning on the subject of colonial monopolies, and a singular obscurity pervades his whole argument. It is almost impossible to get distinct and clear perceptions of his premises, or to follow the train of his reasoning to his conclusions; and I am inclined to believe, that his reasoning has been acquiesced in, not because it carried conviction, but because it was incompre-

* Wealth of Nations, book iv. chap. 7.

hensible. Men have taken it for granted, that there was more in it than met the eye, and their vanity led them to admit his conclusions, rather than admit that they could not comprehend his reasoning.

There are two fundamental errors in his premises, so far as I am capable of comprehending them. The one is in putting the effect for the cause, or the instrument for the agent. He perpetually attributes to capital the functions which belong exclusively to labour. Capital does *this*, and capital does *that*, and in proportion to the magnitude of this agent, is to be the magnitude of the effect.

The second error is of kin to the first. He says, that capital employed in a home or domestic trade, is more profitable to the nation, than one employed in a foreign trade. This may be so, or it may not, as has been shown in a former chapter, and to assume it as a fact in reasoning is altogether unwarrantable, for it is just as likely to lead to a false as a correct conclusion.

Dr. Smith is equally unfortunate in supposing that a colonial policy, which diminishes the profits on the productive labour of the colony, "ne-
"cessarily renders the whole quantity of produc
"tive labour, annually maintained there—the

"whole annual produce of the land and labour of "that country, less than it otherwise would be." The meaning of this is, although rather obscurely expressed, that the greater the profits the more industrious the people will be.

Colonial restrictions may reduce the profits of the colonists, but it does not follow, that they will for that reason be the less industrious, or that the annual product of their labour will be the less, and as neither national nor colonial wealth depends upon accumulation, it matters not whether the profits are great or small, so long as the annual product of labour is not lessened in consequence.

If the profits are sufficiently great to afford a fair and reasonable compensation for labour—if the restrictions are not such as to cause discouragement to labour—if the profits are such as to keep industry steadily at its work; the annual product of industry will no doubt be as great. if not greater; and will probably be more beneficial both to the labourer and to the colony, than if the profits were twice as great; precisely for the same reason, that it is more beneficial for a nation or a people, to dig in the earth for corn, than it would be to dig for gold, even though the product should be bushel for bushel. So long, therefore. as the

restrictions of a colonial monopoly, are not so great, as to prevent a fair compensation for labour, and thereby discourage industry, they will not be prejudicial to the prosperity of the colony. Colonial restrictions may be so great and oppressive, as to produce this effect, but this is not the necessary consequence of a colonial monopoly.

The profits of labour in the West Indies are much greater, notwithstanding their colonial restrictions than in England, and yet the people in those islands are much less industrious, than in England. The profits of labour are much greater in this country, than in England, and yet the people in England are the most industrious. It does not therefore follow, that the industry of the people depends on the profits of labour, or that the product of labour will increase in proportion to the price it bears in market.

The only effectual means of promoting national wealth, is, by augmenting the quantity of national industry, and it would seem, that no argument was necessary to prove, that a public monopoly of any trade, must in its very nature have a powerful tendency to produce this effect. If we had a monopoly of the West India market for flour, which would probably augment the demand for that article five hundred thousand bar-

rels a year, common sense must teach every man, that national industry would be augmented to a degree, equal, or nearly equal to the production of that quantity; and if in addition to this we enjoyed a monopoly of the trade in the productions of the West Indies, it would be still more advantageous to our country, unless we were so unwise, as to place such restraints upon their trade, as to discourage industry, by depriving them of a fair compensation for their labour. If our cotton-planters had a monopoly of the English market for cotton, he would be an ingenious man, who should succeed in persuading them, that it would not be for their benefit, or that it would not encourage the industry, and promote the wealth of this country.

Dr. Smith, however, says, that "the monopoly "of the colony trade, like all other mean and ma- "lignant expedients of the mercantile system, de "presses the industry of all other countries, but "chiefly that of the colonies; without in the least "increasing, but on the contrary diminishing, that "of the country in whose favour it is estab- "lished."*

In what way does the monopoly of the colony trade "depress the industry of all other countries,

* Wealth of Nations, book iv. chap. 7.

"but chiefly that of the colonies?" By diminishing the profits on the product of their industry, or in other words, by lessening the demand for it. This is the only possible way, in which the monopoly can depress the industry of the colonies. If they get as great a price for the product of their labour, burdened with, as they would do free from the monopoly, then the monopoly takes from them none of the motives to industry. A monopoly then depresses industry by diminishing the profits on its product.

Dr. Smith also says, that a monopoly of the colony trade, "depresses the industry of the coun-
"try in whose favour it is established." In what way does it produce this opposite effect? He tells us, that "by raising the rate of mercantile profit, "the monopoly discourages the improvement of "land. The profit of improvement, depends "upon the difference between what the land ac-
"tually produces, and what, by the application of "a certain quantity of capital, it can be made to "produce. If this difference affords a greater "profit than can be drawn from an equal capital, "in any mercantile employment, the improve-
"ment of land will draw capital from all mer-
"cantile employments. If the profit is less, mer-

"cantile employments will draw capital from the "improvement of land.

"The monopoly raises the rate of mercantile "profit, and thereby augments somewhat the "gain of our merchants. But as it obstructs "somewhat the national increase of capital, it "tends rather to diminish, than to increase the "sum total of the revenue, which the inhabitants "of a country derive from the profits of stock; a "small profit, upon a great capital, generally "affording a greater revenue, than a great profit "upon a small one. The monopoly raises the "rate of profit, but it hinders the sum of pro-"fit from rising so high as it otherwise would "do."*

A monopoly then, has the strange and opposite effect of depressing the industry of the colony, by diminishing the profits; and of depressing the industry of the parent country, or of the country in whose favour it is established, by increasing the profits; and by parity of reason, industry would be invigorated in the colonies, by increasing the profits, and in the parent country, by lessening them.

It is difficult to conceive how Dr. Smith became entangled in such an absurdity. It

* Wealth of Nations, book iv. chap. 7.

would seem that he considered capital as the cause of wealth in the parent country, and labour, as the cause in the colonies —The capital of the parent country, being a given quantity, and capable of employing a given quantity of labour, high mercantile profits, have the effect of withdrawing a part of the capital employed in agriculture, which is, according to his theory, the most productive employment, to merchandise, which is a less productive one; and therefore, the productive industry of the country, is depressed by high profits. In the colonies, however, if capital was considered as the cause of wealth, a monopoly, according to this reasoning, by lessening the profits on mercantile capital, would have the effect of diverting a portion of it to agriculture, and thereby augment the product of agricultural labour.

One would be led to suppose, that in Smith's opinion, high profits were most conducive to wealth in the colonies, and low profits in the parent country. He says, "besides all the bad "effects in general, which have already been "mentioned as necessarily resulting from a high "rate of profit, there is one more fatal perhaps, "than all these put together, but which, if we "may judge from experience, is inseparably con-

"nected with it. The high rate of profit seems "every where to destroy that parsimony, which, "in other circumstances, is natural to the cha- "racter of the merchant. When profits are high, "that sober virtue seems to be superfluous, and "expensive luxury to suit better the affluence of "his situation."

This reasoning would prove, unless colonists are exceptions to the general rules which govern mankind, that a colonial monopoly which lessened the exorbitant profits on colonial labour and colonial produce, would rather promote than retard the prosperity of the colony.

Inordinate profits, however, are not usually the concomitants of a public monopoly. Where a whole nation is permitted to share the benefits of a particular trade, the competition will be too great to admit of very great profits. Exorbitant profit is a concomitant evil of a private monopoly.

There is another error in Dr. Smith's reasoning on the subject of colonial monopolies, which it may be well to examine a little more at length. He says, "the quantity of productive labour which "any capital employed in the foreign trade of "consumption can maintain, is exactly in propor- "tion, as has been shown in the second book, to "the frequency of its returns. A capital of a

"thousand pounds, for example, employed in a "foreign trade of consumption, of which the re- "turns are made regularly once in the year, can "keep in constant employment, in the country "to which it belongs, a quantity of productive "labour equal to what a thousand pounds can "maintain there for a year. If the returns are "made twice or thrice in the year, it can keep in "constant employment a quantity of productive la "bour equal to what two or three thousand pounds "can maintain there for a year. A foreign trade "of consumption carried on with a neighbouring, "is, upon that account, in general, more advan- "tageous, than one carried on with a distant coun- "try; and for the same reason a direct foreign "trade of consumption, as it has likewise been "shown in the second book, is in general more "advantageous than a roundabout one.

"But the monopoly of the colony trade, so far "as it has operated upon the employment of the "capital of Great Britain, has, in all cases, forced "some part of it from a foreign trade of con- "sumption carried on with a neighbouring, to "one carried on with a distant country; and in "many cases from a direct foreign trade of con- "sumption to a roundabout one."* And, there-

* Wealth of Nations, book iv. chap. 7.

fore; he concludes, that a colonial monopoly is disadvantageous to a country.

In the second book to which he refers us for proof of this strange doctrine, he says, "the re- "turns of the foreign trade of consumption are "very seldom so quick as those of the home "trade. The returns of the home trade, general- "ly, come in before the end of the year, and "sometimes three or four times in the year. The "returns of the foreign trade of consumption sel- "dom come in before the end of the year. and "sometimes not till after two or three years. A "capital, therefore, employed in the home trade "will sometimes make twelve operations, or be "sent out and returned twelve times, before the "capital employed in the foreign trade of con- "sumption has made one. If the capitals are "equal, therefore, the one will give four-and- "twenty times more encouragement and support "to the industry of the country than the other."*

If any man but a philosopher of established reputation, was to utter such nonsense as this to a merchant, he would be looked upon as a theoretical simpleton; but when uttered by such a man as Dr. Smith, whose reputation for wisdom is almost as extensive as civilization, it is imme-

* Wealth of Nations, book ii. chap. 5.

diately swallowed, as the recondite deduction of philosophic investigation.

In the very same chapter, we are told, that "the capital of all the individuals of a nation, "[that is, the capital of the nation itself,] is in- "creased in the same manner as that of a single "individual, by their continually accumulating "and adding to it whatever they save out of their "revenue." And in a preceding chapter, in the same book, he says, that "as the capital of an in- "dividual can be increased only by what he saves "from his annual revenue, or his annual gains, so "the capital of a society which is the same with "that of all the individuals who compose it, can "be increased only in the same manner."

According then, to one of Dr. Smith's theories, (for he has at least two,) the increase of national wealth will be ascertained, by ascertaining the amount of individual profits, so that if a merchant embarks in the East India trade, with a capital of a hundred thousand dollars, and in two years doubles his capital, after deducting all his expenses, it will follow, that the capital of the nation has been augmented a hundred thousand dollars, by this trade; although the capital may not have made more than "one operation, or been sent "out and returned more than once." And accord-

ing to this rule, a merchant with an equal capital, employed either in the home trade, or in trade with a neighbouring nation, which capital shall have made "twelve operations" in the same time, but which shall only have increased fifty per cent by those operations, will only have increased the capital of the nation half as much as the capital employed in the foreign trade. According to one rule, the former capital will have increased national wealth twice as much as the latter. According to the other rule, the latter capital will have increased the capital of the nation, either twelve or twenty-four times, (I am not able to tell which,) as much as the former.

A merchant would laugh at an ordinary man, who should tell him that his capital would be increased in proportion to the frequency of its "ope-"rations," or the oftener it was sent out and returned. The truth is, the profits of a trade to a merchant, or its advantage to a nation, do not at all, depend upon the frequency of the returns of the capital. A capital employed in the East India trade, may be, and usually is, vastly more profitable than an equal capital employed in the West India trade; and whether it will require more labour to manage a capital employed in one trade or another, depends entirely on circum-

stances. It may require more labour to manage a capital of a hundred thousand dollars employed in a foreign than in a domestic trade, or *vice versa*, but the quantity of labour a capital may require to manage it, depends upon such a variety of circumstances, that no general rule can be laid down respecting it.

And the frequency of the returns of the capital, or more properly the frequency of making exchanges, is not a less fallacious criterion for ascertaining the national advantages arising from any particular trade. A retailer of ardent spirits will probably turn his capital ten times, while a whale fisherman is turning his once, but the capital of the latter is much the most beneficially employed for his country. Capital employed in the slave trade may yield greater profits, and may be turned more frequently than one employed in the fur trade, but it will hardly be contended, that it is more conducive to national wealth.

Although no precise rules can be laid down, as to profitableness or utility of a trade, or of any other employment, upon the ground of the shortness of the intervals at which exchanges are made, or the profits received; yet it will, perhaps, more generally be found that the longer the intervals between the exchanges, or as Dr. Smith would

say. the more distant the return of the capital, the greater the profits. If there be any rule on the subject, the longer the voyage, the greater the profit, because there are fewer who can so long wait the return of their capitals, and of course there is less competition; and if individual profit be national gain, the very reverse of Dr. Smith's doctrine is true.

In agriculture also, those systems, which realize the profits at the most distant periods, are usually most conducive both to individual, and national wealth, because they are usually the most enlarged and improved systems of cultivation, and have the greatest tendency to promote patient persevering industry. The more distant the hope of reward for labour, provided it be sufficiently near to keep the labourer steadily at his work, the more conducive it is to industry. A man who is accustomed to turn his capital, or to receive the profits of his labour three or four times a year, is more impatient and unsteady in his business, than one who has laid his plans upon so extensive a scale, that he cannot expect his reward for his labour under several years. The influence of every political measure, and of every species of trade upon national wealth, is to be determined by the effect it has upon the industry

of the nation, and not by the frequency of the return of capital, or the amount of the merchant's profits, for these are entirely distinct from national wealth.

If a colonial monopoly affords a more extensive market for the product of a nation's industry, than it would enjoy without the monopoly, it must necessarily afford a stimulus to its industry. It will prevent an accumulation of the product of industry, and although our political economists may tell us, that this accumulation constitutes national wealth, yet they can never persuade people with unsophisticated common sense to believe it.

The universal agreement of all men upon any subject, which involves nothing but plain matter of fact, may, without risk, be received as truth. All nations have considered it a matter of importance, in forming commercial treaties, to obtain some peculiar privileges or advantages over other nations in the commerce of the nations, who are parties to the treaty. This is the principal object of commercial treaties, and Dr. Smith himself admits, that the nation whose commerce is favoured, must necessarily derive great advantage from the treaty. Such treaties create a species of monopoly, and they are deemed more or less

beneficial in proportion to the extent of the monopoly.

But if a monopoly obtained by a treaty, is beneficial to a nation, why should not a monopoly of a similar kind secured by a colonial policy be equally beneficial? The celebrated treaty between England and Portugal, called the Mathuen treaty, is a memorable instance of the benefit, which a nation may derive from a monopoly of a particular trade, with a foreign nation. The effect of that treaty was, to give to England a monopoly of the trade in woollen cloths to Portugal, and it enabled her in a few years, to destroy the woollen manufacture of Portugal. By affording an extensive market for these cloths, it encouraged the industry of the English nation, and promoted its wealth. The monopoly of a colonial market of equal extent, would have been equally beneficial.

If in a commercial treaty with the United States, England could secure to herself the privilege of introducing her manufactures into this country, free of duty, will any man pretend that she would not secure to herself a very great advantage—one calculated greatly to promote her wealth and prosperity? Such a treaty would secure to her a monopoly in manufactures to the

extent of our market, even against our own citizens, for they could not enter into competition with the people of England, in this branch of industry.

Diplomatic skill consists principally in being able to gain an advantage in arranging the terms upon which the commerce of the contracting parties shall be carried on; and political skill consists in a great degree, when a nation has colonies, in constructing such a colonial system, as shall secure to the nation, the exclusive benefit of the trade of those colonies, with the least injury to the colonies or nation.

CHAPTER IX.

Of Protecting Duties.

In imposing duties on importations, governments have a two-fold object. The one is to raise a revenue; the other, to secure to its own citizens some advantage or privilege, over the citizens of foreign governments, in the domestic trade and industry of the country. All writers on political economy admit the expediency of raising a revenue by imposts. The only questions that are ever made on this branch of the subject, respect the amount of the revenue that ought to be raised by imposts, and the mode of collecting it.

But the expediency of laying import duties, for the purpose of securing to citizens some advantage, or privilege, over foreigners, in the domestic trade and industry of the country, has been vehemently controverted by many of the

most celebrated and popular writers on politi cal economy, at the head of whom stands Adam Smith.

Imposts, bounties, drawbacks, and corn laws, are all branches of the same system. They are only different expedients for accomplishing the same object—the encouragement of the industry of the nation. Their object is to create an absolute or qualified monopoly, according as the duty amounts to an absolute or qualified exclusion of foreigners, from a participation in any particular branch of the trade or industry of the country. This system is opposed to that of *free trade.*

Although all nations have, to a greater or less extent, adopted the monopoly system, with respect to their own domestic trade and industry, yet the policy of doing so, has been much questioned by a very numerous sect of politicians; and many, who admit the expediency of this policy, consider it wrong in itself, but rendered necessary, in order to counteract the restrictive measures of other nations.

Upon this question, the United States is at present divided into two parties; those who are in favour of, and those who are opposed to raising the tariff. One party contends, that the only object of imposts, should be the raising a revenue:

the other, that this should be resorted to, for the purpose of creating a qualified monopoly of our own domestic trade, and for the purpose of encouraging manufactures. The former are the partisans of a free trade—the latter, of a restricted trade.

It is not my intention to discuss the merits of this particular question. Whether the present tariff ought to be raised or lowered, depends upon particular local circumstances, which are perpetually varying; and upon a vast variety of facts, not within my knowledge, and respecting which, I have no means of informing myself. All that I propose to do, is to ascertain and illustrate the principles upon which this, and all other questions like this, ought to be decided. When these principles shall be established, any man, by referring to a complete statistical table, will be able to determine whether a tariff is too high or too low.

Upon all subjects relating to political economy, and especially upon the subject of *protecting duties*. it is ever to be remembered, that the public interests are paramount to individual interests—that a private mischief, or inconvenience, must be endured for the public good; and that when a political economist has shown that public and private interests are opposed, he has made

out a case, in which the interposition of the government is necessary—he cannot be required to prove that private interests ought to give way—this is to be taken for granted.

In military tactics, it is a fundamental principle, that the army is ONE, and the general the head; no soldier is permitted to have a right, or an interest, opposed to the general good of the army. So, in political economy, it should be a fundamental principle, that the nation is ONE, and the legislature the head; no citizen should be permitted to have a right, or an interest, opposed to the general good of the nation. Until this comes to be admitted, and acted upon as a fundamental principle, political economy will remain in its present crude chaotic state, and cannot be subjected to the rules of science.

It may, with as much propriety, be maintained, that the power and capacity of an army, would be augmented, by permitting every soldier to exercise and employ his military skill and prowess in what way he pleases, as that the power and capacity of a nation will be augmented, by permitting every citizen to employ his skill, industry, and capital, in what way he pleases.

The rights and duties of a general and his soldiers, are totally distinct, and frequently opposite. The rights and duties of a legislature, and its citizens, are as distinct, and scarcely less frequently opposite. The soldier should have as much liberty, as is consistent with the good of the army. It would be oppression to deprive him of this. The citizen should have as much liberty, as is consistent with the good of the nation. To deprive him of this would be tyranny. More than this, he ought not to claim. The general is the judge in the case of the soldier. The legislature is the judge in the case of the citizen. Soldiers take all the liberty their general will give them.—Citizens take all the liberty the law allows them—they were never known to refrain from engaging in any profitable trade or business, which the law allowed, because it was detrimental to the nation. If the slave-trade is profitable, they will engage in it, unless the law forbids it, and often even then. If they refrain at all, when there is no law against it, it will be from other and higher motives, than regard to the nation's welfare; and it will be the same with every other kind of trade or employment.

We often hear people talk about individual rights, in a strain that would lead one to suppose, that national interests, and individual rights, were, in their opinion, often at variance. They seem to suppose, that the right of property is absolute in the individual, and that every one has a right to sell to whom he pleases, and to buy of whom he pleases; and that any interference by the government, in restraining the exercise of this right, is arbitrary and tyrannical. They will tell us, that government has no right to control them in the disposition of their property, merely with a view, that other citizens may derive a benefit from it.

This is a manifest error. Individual right to property is never absolute, but always relative and conditional. There is no such thing as perfect, absolute right, but in those things which are the gift of nature; such as life, liberty, strength, talents, personal beauty, &c. The right to property, is merely conventional or conditional, subject to such regulation as may be made respecting it, with a view to the general interests of the whole nation. No man has, or can have, a perfect exclusive right to property of any description. Every man in the community, has a qualified right to it, and under certain cir-

cumstances, has a right to a living out of it. The public right to every piece of property in the nation, is superior to the private right of the individual owner. Hence, the right of the public to take any man's property from him, whenever it becomes necessary for the public good. If this were not so, the social compact would not be sustained; government could not be supported.

If individual right to property was absolute, government would have no right to take an individual's property from him, for any purpose whatever. The public has no right to deprive a man of his life, his liberty, his talents, his strength, his personal beauty, or of any other gift of nature, merely for the public good, and for the plainest reason in the world, because he does not derive any of these from the public—they are the gifts of his creator, and He alone has a right to deprive him of them. No man, or body of men, has a right to take them from him, unless they have been forfeited by some crime.

Upon the same principle that God has a right to deprive a man of health and life, government has a right to deprive him of his property. The former is the bounty of God, and held subject to his will. The latter is the bounty of the govern-

ment, and held subject to its will. But for the social compact no man could have an exclusive right to any spot of this earth. The right of property is therefore a conventional right, and the public grants no title to property in derogation of the public weal. An individual may have a title to property, superior to the title of any other individual, or to any number of individuals, less than the whole, but it cannot be superior to the title of the whole, because the whole includes the title of the individual himself, as well as the title of every body else. Hence the right of the public to take a man's property for the purpose of making public roads, or erecting fortifications, or for any other purpose, which the public good may require.—Hence the right of the government to levy and collect taxes in any manner the public interests may require.—Hence the right to prohibit a man from selling his property to foreigners, or to buy from them those things he may want. The government has a clear and perfect right to make any regulations respecting property, or trade, which the public interests may require.

Every question, therefore, respecting a tariff, or protecting duties, must be a question of *expediency*, and not a question of *right*.

At the head of the partisans of a free trade, as contradistinguished from a trade restricted by protecting duties, stands Adam Smith. He is supposed to have placed the subject in the strongest light, in which it is susceptible of being placed in favour of a free trade. It may, therefore, be well to examine a little into the solidity of his reasoning upon this subject. It is proper, however, to observe, that Dr. Smith's principal object in combating the restrictive system, was to show, that it had no direct tendency to increase public wealth, by increasing the quantity of gold and silver in the nation, because national wealth does not depend on the quantity of the precious metals the nation possesses; and this object he accomplished. Thus he says, "the different progress of "opulence in different ages and nations has given "occasion to two different systems of political eco-"nomy, with regard to enriching a people. The "one may be called the system of commerce, the "other that of agriculture." In the "system of "commerce" it was assumed as a principle, "that "wealth consisted of gold and silver, and that "those metals could be brought into a country "which had no mines, only by the balance of "trade, or by exporting to a greater value than it "imported." "In consequence of these popular

"notions, all the different nations of Europe have "studied, though to little purpose, every possible "means of accumulating gold and silver in their "respective countries." "It necessarily, therefore "became the great object of this system of politi- "cal economy, to diminish as much as possible the "importation of foreign goods for home consump- "tion, and to increase as much as possible the ex- "portation of the produce of domestic industry. "The two great engines for enriching the coun- "try, were restraints upon importation, and en- "couragements of exportation."*

If the real object of this policy was to accumulate gold and silver in the country, as Dr. Smith states, there can be no doubt either of the inefficiency of the means to accomplish the object, or of the inutility of the object to national wealth, when accomplished, and if so absurd a doctrine can require refutation. Dr. Smith is undoubtedly entitled to the credit of having refuted it. But I understand the object of the restrictive system to be, to encourage the industry of the nation, and augment the product of labour, and not to accumulate money; and proving the system ineffectual for one purpose, does not prove it ineffectual for the other.

* Wealth of Nations, book iv. chap. 1.

In the first chapter of the fourth book of the Wealth of Nations, Dr. Smith successfully refutes the idea, that national wealth depends on the quantity of gold and silver a nation possesses, and shows, that a government has no occasion to adopt any measures with a view to increase the quantity by prohibiting its exportation, or securing a favourable balance of trade; and that all such measures are prejudicial to the nation. In the second chapter of the same book, he attempts to prove, that restraints upon the importations from foreign countries, of such goods as can be produced at home, is also prejudicial to the nation, but in this attempt he has utterly failed.

Dr. Smith had adopted the agricultural, in opposition to the mercantile system of political economy, and like other zealous partisans, maintained the superiority of agriculture over commerce on all occasions; but the true system embraces agriculture and commerce, and considers them both as essential to national wealth, and therefore no comparison can be instituted as to their advantages. Hence, Smith opposes the restriction on importations of foreign goods, principally upon the ground of its being a branch of the mercantile system, adopted with a view to secure a favourable balance of trade, and to aug-

ment the quantity of gold and silver; and in order to support this doctrine to the utmost extent, he undertakes to show, that ultimately, restraints upon the importation of such goods, as can be produced at home, does not encourage the industry of the nation, and augment the annual product of labour. Thus he says, "by restraining either "by high duties, or by absolute prohibitions, the "importations of such goods from foreign coun- "tries, as can be produced at home, the monopoly "of the home market, is more or less secured to "the domestic industry employed in producing "them.

"That this monopoly of the home market "frequently gives great encouragement to that "particular species of industry, which enjoys it, "and frequently turns towards that employment, "a greater share of both the labour and stock of "the society, than would otherwise have gone to "it, cannot be doubted. But whether it either "tends to increase the general industry of the "society, or to give it the most advantageous "direction, is not, perhaps, altogether so evident.

"The general industry of the society never "can exceed what the capital of the society can "employ. As the number of workmen that can "be kept in employment by any particular per-

"son, must bear a certain proportion to his capi-
"tal, so the number of those that can be conti-
"nually employed by all the members of a great
"society, must bear a certain proportion to the
"whole capital of that society, and never can ex-
"ceed that proportion. No regulation of com-
"merce can increase the quantity of industry in
"any society beyond what its capital can main-
"tain. It can only divert a part of it into a dif-
"ferent direction, into which it might not other-
"wise have gone, and it is by no means certain,
"that this artificial direction is likely to be more
"advantageous to the society, than that into which
"it would have gone of its own accord."*

Here Dr. Smith has again fallen into that strange absurdity, which has been so often noticed, of attributing to *capital*, the functions, which alone belong to labour. He seems to suppose, that capital possesses a given power, and that a given quantity of capital can employ and maintain a given quantity of labour and no more.

By capital he no doubt means all the property in the country both real and personal. The farmer, the merchant, and the manufacturer, can each employ a number of workmen or labourers,

* Wealth of Nations, book iv. chap. 2.

in proportion to the amount of his capital, or property. A farmer, with a capital of fifty thousand dollars, can employ and maintain ten, fifty, or a hundred labourers, and no more.—A merchant with an equal capital, can employ and maintain five, twenty, or fifty labourers, and no more. And a manufacturer with the same capital. can employ seven, thirty, or seventy labourers, and no more.

This must be, what Dr. Smith means, when he says, that "the general industry of the society "never can exceed what the capital of the soci- "ety can employ." He does not tell us, what amount of industry a given quantity of capital can employ. Had he furnished us with a scale, by which we could determine what quantity of labour a given quantity of capital could employ in the different branches of industry, we could then have determined the comparative advantages of employing capital in those different branches. Had he told us, that ten thousand dollars capital could employ twenty labourers in agriculture, fifteen in manufactures, ten in domestic, and only five in foreign commerce; or told us the precise scale of proportion between capital and labour, in these different occupations, it would have enabled us to test the

accuracy of his reasoning by experiment. If the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, then that proportion, or the number of labourers that capital can employ, may be ascertained by actual experiment; and if the "number of those that can be "continually employed by all the members of a "great society, must bear a certain proportion to "the whole capital of that society, and never can "exceed that proportion," surely that proportion may be ascertained by actual experiment.

If the capital of a farmer can employ a certain number of labourers, and no more, it is easily ascertained, what quantity of industry a given quantity of capital can employ; and if this be sound doctrine, it is very surprising, that the world should have been left in darkness so long on this subject.

If Dr. Smith's notion on this subject be correct, by ascertaining the amount of property or capital in the United States, and then ascertaining by actual experiment, what quantity of industry a given quantity of capital can employ, every school-boy would be able to tell, by a sum in the simple rule of proportion, what "number of

"labourers could be continually employed, by all "the members of this great nation."

This theory is, however, fanciful in the highest degree. There is no existing proportion between capital and industry. Capital, in truth, never does employ labour, or maintain industry, but it is labour that employs capital, or more properly, manages property, and the quantity of labour required to manage a given quantity of property, depends entirely on the state of improvement the property is in—on the use that is made of it, and the manner in which it is managed.

A farmer with a given quantity of property, may employ only ten labourers, or he may employ a hundred, or any other number; and so of the manufacturer and merchant. The property in the United States, may only employ and maintain the present ordinary quantity of industry in its management, or it may employ and maintain twice that quantity; or, in other words, there might be twice as much labour bestowed annually in the management of the property, as there is at present, and the product of industry would, in consequence, be twice as great as at present.

It might not be possible to bestow, (at least profitably,) twice as much labour in the management of the commerce of a country, because the quantity of commercial industry, is always limited to the quantity of produce there is to be exchanged, but there can be no limit to the quantity of labour that might be bestowed upon agriculture and manufactures.

Again, "every individual is continually ex- "erting himself to find out the most advantage- "ous employment for whatever capital he can "command. It is his own advantage, indeed, and "not that of the society which he has in view. "But the study of his own advantage naturally "leads him to prefer that employment which is "most advantageous to the society."*

This is, indeed, a most extraordinary doctrine. It is, however, the necessary consequence of confounding national and individual interests and wealth. An individual may study his own advantage by smuggling goods, but it will hardly be pretended that, that is an "employment most "advantageous to the society," or nation. An individual may study his own private advantage in employing his capital in the slave trade, but he

* Wealth of Nations. book iv. chap. 2.

would not thereby study the advantage of the nation.

It seems to be an admitted dogma with Dr. Smith, that national and individual interests are never opposed, but a more unsound doctrine in principle, or a more abominable one in its consequences, cannot well be imagined. Such a doctrine, if adopted in practice, would destroy all government, and tear up the very foundations of society.

Dr. Smith takes it for granted that it is more desirable for the individual, as well as more profitable for the nation, to employ capital in a domestic, than in a foreign trade, and thence concludes, that individuals will, if let alone by the government, of their own accord, employ their capital in the domestic occupations of the country, in preference to embarking it in foreign trade, unless there is a great disparity in the profits.

He says, "every individual endeavours to em-
"ploy his capital as near home as he can, and
"consequently as much as he can in support of
"domestic industry, provided always he can
"thereby obtain the ordinary, or not a great deal
"less than the ordinary profits of stock.

"A capital employed in the home trade, neces-
"sarily puts into motion a greater quantity of
"domestic industry, and gives revenue and em-
"ployment to a greater number of inhabitants of
"the country, than an equal capital employed in
"a foreign trade of consumption: and one em-
"ployed in the foreign trade of consumption, has
"the same advantage of an equal capital employ-
"ed in the carrying trade. Upon equal or nearly
"equal profits, therefore, every individual natu-
"rally inclines to employ his capital in the man-
"ner in which it is likely to afford the greatest
"support to domestic industry, and to give reve-
"nue and employment to the greatest number of
"people of his own country."*

It is a favourite doctrine, and it may indeed be said to be a fundamental principle, in Dr. Smith's theory, that capital employed in domestic occupations is most beneficial to the nation and most conducive to national wealth. He divides occupations into four classes. That of the farmer—of the manufacturer—of the merchant, and of the retailer. He then forms a graduated scale, though not a very precise one, of the productiveness of capitals employed in these different occu-

* Wealth of Nations, book iv. chap. 2.

pations. The capital of the farmer is the most productive—that of the manufacturer next—that of the wholesale merchant the next, and that of the retailer least. To which of these occupations the carrying trade belongs, he does not say, but intimates that capital employed in it, is the least productive to the nation of any. To these rules no exceptions are made. Dr. Smith does not admit that capital employed in foreign trade, is ever as productive of national wealth as an equal capital employed in agriculture, nor that the capital employed in commerce, could not be more beneficially employed in agriculture, and of course if it were to be withdrawn from commerce and employed in agriculture, national wealth would be thereby promoted.

If capital employed in agriculture is always more productive of national wealth, than an equal capital employed in commerce, then it follows necessarily, that national wealth will be promoted by diverting capital from commerce to agriculture.

He says, it is true, "each of these branches "of trade is not only advantageous, but necessary "and unavoidable." But if each trade or occupation is necessary and unavoidable, how can their comparative advantages, or productiveness be

estimated? If foreign trade is necessary and unavoidable, with what propriety can it be said, that capital employed in agriculture is always most productive of national wealth? I have always supposed that the comparative advantages of two necessary and unavoidable things, could not be estimated. How can the comparative advantages of food and drink, in sustaining human life, be estimated? It may be said, that food is more valuable than water, because it requires more labour to obtain it, but without water it would have no value in any sense of the word. So it may require more labour to cultivate the earth, than to convey its products to market, but as it would be useless to rear its products unless they could be conveyed to market, the comparative advantages of the labour, or of the capital employed in the two occupations, cannot be estimated; or rather no preference or discrimination can be made between them.

For a political economist to undertake to estimate the comparative advantages of labour, or of capital employed in agriculture and commerce, is not less idle than it would be for him to undertake to estimate the comparative advantages of sowing and reaping.

But if Dr. Smith's reasoning be sound, it furnishes a powerful argument in favour of the interposition of government to regulate the employment of capital. If capital employed in one occupation be more beneficial to the nation and more conducive to national wealth—if it employs more labourers and maintains more industry, then any regulation by government, which should have the effect to divert capital from the less to the more productive employment, would promote national wealth. A law which should divert capital from the carrying trade, or from a "foreign "trade of consumption," to agriculture, would promote the wealth and prosperity of the nation.

But if, on the contrary, the study of his own advantage naturally, or rather necessarily leads every individual to prefer that employment which is most advantageous to the society; then it follows that agriculture is not the most productive employment of capital, even for the nation, because there are thousands of individuals in every community who employ their capitals both in the carrying trade, and in the foreign trade of consumption. One of Dr. Smith's principles therefore is directly at variance with the other, and one or the other must be erroneous, and per-

haps it will hereafter appear that both are erroneous.

Again, Dr. Smith says, "every individual who "employs his capital in the support of domestic "industry, necessarily endeavours so to direct that "industry, that its produce may be of the greatest "possible value.

"But the annual revenue of every society is "always precisely equal to the exchangeable va- "lue of the whole annual product of its industry, "or rather is precisely the same thing with that "exchangeable value. As every individual, there- "fore, endeavours as much as he can, both to em- "ploy his capital in the support of domestic in- "dustry; and so to direct that industry that its "produce may be of the greatest value; every in- "dividual necessarily labours to render the annual "revenue of the society as great as he can.

"What is the species of domestic industry "which his capital can employ, and of which the "produce is likely to be of the greatest value, "every individual, it is evident, can, in his local si- "tuation, judge much better than any statesman "or lawgiver can do for him. The statesman that "should attempt to direct private people in what "manner they ought to employ their capitals, "would not only load himself with a most unne-

"cessary attention, but assume an authority "which could safely be trusted, not only to no "single person, but to no council or senate what- "ever, and which would no where be so danger- "ous as in the hands of a man who had folly and "presumption enough to fancy himself fit to exer- "cise it.

"To give the monopoly of the home market "to the produce of domestic industry, in any par- "ticular art or manufacture, is, in some measure, "to direct private people in what manner they "ought to employ their capitals, and must, in al- "most all cases, be either a useless or a hurtful "regulation. If the produce of domestic can "be brought there as cheap as that of foreign in- "dustry, the regulation is evidently useless. If "it cannot, it must generally be hurtful. It is a "maxim of every prudent master of a family, "never to attempt to make at home, what it will "cost him more to make than to buy. The tai- "lor does not attempt to make his own shoes, but "buys them of the shoemaker. The shoemaker "does not attempt to make his own cloths, but "employs a tailor. The farmer attempts to make "neither the one nor the other, but employs those "different artificers. All of them find it for their "interest to employ their whole industry in a

"way in which they have some advantage over "their neighbours, and to purchase, with a part "of its produce, or what is the same thing, with "the price of a part of it, whatever else they have "occasion for.

"What is prudence in the conduct of every "private family, can scarce be folly in that of a "great kingdom. If a foreign country can sup- "ply us with a commodity cheaper than we our- "selves can make it, better buy it of them, with "some part of the produce of our own industry, "employed in a way in which we have some ad- "vantage. The general industry of the country, "being always in proportion to the capital which "employs it, will not thereby be diminished, no "more than that of the above mentioned arti- "ficers; but only left to find out a way in which "it can be employed with the greatest advantage. "It is certainly not employed to the greatest ad- "vantage, when it is thus diverted towards an "object which it can buy cheaper than it can "make."*

It may be admitted, that if individuals, or a nation, can buy an article cheaper than they can make it, they had better buy than to make, as a general rule; but to this general rule there are

* Wealth of Nations, book iv. chap. 2.

many exceptions, and these exceptions will embrace the policy of protecting duties to as great an extent, as has ever been contended for by the partisans of a restricted trade.

The doctrine, however, of buying, when we can buy cheaper than we can make, as illustrated, or rather as stated without illustration, by Dr. Smith, is most erroneous and unsound, when applied to individuals. Had he explained what he means by "buying cheaper than we can make," the doctrine might, perhaps, have been admitted as correct. But, in the broad terms in which the doctrine is laid down, it is never adopted by prudent individuals, and much less by nations. If an individual were to go upon the principle of buying what it will cost him more to make than to buy, in the ordinary acceptation of the phrase, it would lead him to inevitable ruin. But every case of this kind, depends on its own circumstances.

It may, as an ordinary rule, be better for the tailor to buy his shoes of the shoemaker, than to make them himself, but it may be better to make than to buy them. If he has constant employment in his own trade, he had better buy his shoes than to make them. If he has not, it may be better to make than to buy them. If a tailor

cannot sell his own work, he had better spend a week in making a pair of shoes, than to buy them with the price of an ordinary day's work. Whether it be better for a farmer to buy his own cloaths, and shoes, than to make them, depends entirely on circumstances. Sometimes it is better to do the one, and sometimes the other. If he can buy them with some of the produce of his own industry, "employed in a way in which he "has some advantage," better to buy than to make them; if not, he had better make than buy them. A tailor, who can find employment in his trade only one half of his time, had better employ the other half in making shoes and raising corn, than to be idle that time, and buy his shoes and corn at any price, no matter how cheap. So, the farmer, who can only find a market for one half the product of his labour, will find it more for his interest to employ one half of his time in manufacturing various articles, than to buy those articles at any price whatever. If the tailor and shoemaker will take corn for their work, it will probably be better to buy than to make. This, however, will depend on the quantity they will give in exchange. This is a universal principle—a principle upon which all prudent men act. It applies to all classes of people, and to commu-

nities, as well as to individuals. This is the true meaning of the doctrine of buying, when you can buy cheaper than you can make. But, from the general unqualified manner, in which Dr. Smith lays down the doctrine, one would be led to suppose, that in his opinion at least, it would always be better for the tailor to buy his shoes and his corn, than to make the one, and raise the other, by his own labour; and that the farmer could never be profitably employed in making clothes and shoes.

This doctrine, when rightly explained, is as applicable to nations, as to individuals. The principles which are applicable to individuals, being often applicable to nations; but in order to apply them properly, we must consider nations as individuals, distinct in all their parts, and not as part individual only. The nation must be considered as one and indivisible. Let this be done, and we shall not be embarrassed with individual interests and rights, as contradistinguished from national rights and interests. Individual interests are perpetually at variance with national interests. Hence the absurdity of supposing that, that which is beneficial to individuals, is also beneficial to the nation. An individual, or a class of the community, may be benefitted by being per-

mitted to import goods, free of duty, but it does not necessarily follow, that the nation would be benefitted by it.

It may be beneficial to cotton and tobacco-planters, to be permitted to import cotton and woollen cloths for their own consumption, free of duty, from England, because in England they find a market for their produce. They can exchange "some part of the produce of their own "industry, employed in a way in which they "have some advantage." As regards the cotton and tobacco-planters, distinct from the nation, they are in the situation of the tailor and shoemaker, who have constant employment in their trades, when it is better for them to buy of each other, the respective products of their labour, than to make for themselves; but taking the whole United States together, as an individual, with a unity of rights and interests, and it may be better for it, to make its own cotton and woollen cloths, than to import them, even at any price; precisely for the same reason, that it is better for the tailor to make his own shoes, when he has nothing else to do, or to employ his unoccupied time in making shoes, than to remain idle, and buy them at any price.

The question in the one case is, has the tailor full employment in his trade, and the answer to this question will determine whether he had better seize hold of the awl and the plough. So, in the case of the nation, the question is, has it full employment in raising tobacco and cotton, and in its other ordinary occupations? If it has not, it will be wiser, and more conducive to its wealth, to employ its unoccupied time in manufacturing cotton and woollen cloths, than to import them from England at any price.

As to the soundness of this principle there can be no doubt. In its application it is universal both to individuals and nations.—It is far less variable than the mariner's compass. The only difficulty consists in its application.—In knowing exactly what portion of a nation's time is unoccupied—how much surplus labour it has on hand, which might be profitably employed. The perplexity is also increased by the opposition of individual and national interests, and the difficulty of separating them. But the duty of a legislator, when these interests are once distinguished and separated, does not admit of discussion. It may with as much propriety be contended, that one class of citizens should be permitted to smuggle goods, because it is for

their benefit, as that another should be permitted to import them at a low tariff, because it is for their benefit, when opposed to the general interests of the nation.

The sophistry of Dr. Smith's reasoning consists in a great measure, in his not discriminating between national and individual interests. He considers the interests of some particular class of citizens, as identical with the interests of the nation, when in reality they are, perhaps, directly opposed. This is the only principle upon which it can be maintained, that, "to give the monopoly "of the home market to the product of domestic "industry, in any particular art or manufacture, "must generally be hurtful." A measure of government may interfere with the private interests of an individual, or a class of individuals; but if at the same time, it promotes in a greater degree, the interests of a larger class of individuals, it will be beneficial to the nation, and will promote national wealth.

But the question, whether the importation of manufactures should be prohibited, or the tariff raised, does not at all depend upon the fact, that they can be procured by the consumer cheaper in foreign countries, than in his own. Buying goods where they may be had cheapest. may

be the best policy for some individuals, while buying them where they come dearest, may be the best policy for the nation. Dr. Smith's doctrine cannot be admitted, till he proves, that individual interests are never at variance with national interests.

If it be admitted, that a man had better employ a week in making a pair of shoes, when he has nothing else to do, than to pay the ordinary price of a day's labour for a pair, I should like to know, why the same principle will not apply to a nation. The cases are parallel, if it be admitted, that a nation is a UNITY. If it be not a unity, I should like to know what it is.—If a plurality, I should like to know whose interest among its members is paramount, or whether each member is to be permitted to pursue his own interest regardless of the public good, and if so whether this would not utterly destroy the social compact?

If a nation has not full employment in its ordinary vocations, is it not better to employ its unoccupied time in manufacturing cotton and woollen cloths, than in doing nothing? And will this not be a saving of just so much, as it cost to manufacture the cloths in foreign countries? Suppose a nation has so much unemployed time, as is necessary to manufacture such a quantity

of goods, as would cost a million of dollars to manufacture in the place where they could be had the cheapest. Suppose, this quantity of goods to be manufactured at home in consequence of prohibiting the importation of foreign goods, without withdrawing labour from other branches of industry. Now it matters not, at what price these goods come to the consumers, whether double, triple, or quadruple the price, at which they could have been procured at some other place, the saving to the nation will be, a million of dollars, just as certainly as the tailor would save the price of a pair of shoes, by making them when he had nothing else to do.

The only difficulty in comprehending this subject is in distinguishing between individual and national interests. Let it be admitted that a nation is a UNITY, and national interests paramount to individual interests, and the other consequences inevitably follow. The question of cheapness and dearness is altogether irrelevant, and out of the case. Dr. Smith is upon a wrong scent and his doctrine given to the winds.

It is the duty and interest of the planter to find employment for all his hands, and if this cannot be done in one branch of business, to seek out another. So it is the duty of the legislator to

find employment for all the people, and if he cannot find them employment in agriculture and commerce, he must set them to manufacturing. It is his duty to take special care that no other nation interferes with their industry. He is not to permit one half of the nation to remain idle and hungry, in order that the other half may buy goods where they may be had cheapest. A legislator may not, however, as Dr. Smith supposes the consequence of this doctrine to be, "direct "private people in what manner they ought to "employ their capitals." He may not direct one man to engage in this business, and another in that. Every man is to be left free to engage in what business he pleases, but he ought not to be allowed to afford patronage and support to the industry of foreigners, when his own fellow-citizens are in want of it.

The question is simply this: there is a cotton spinner, and a lace maker in this country, who want bread, and who know no other method of earning it, but by their trades. There is also a farmer in this country who has corn for sale. There is also a cotton spinner, and a lace maker in England, who want bread, and who are willing to buy it with the product of their labour; and who, from particular circumstances, can furnish

cotton goods and lace cheaper than their competitors in this country. Which has the highest claims on our government, its own citizens or foreigners? Shall the farmer, who wants cotton goods and lace, be permitted to send his corn to England, to buy those articles, and leave his own fellow-citizens to want bread, because they cannot furnish the articles as cheap as Englishmen? If the claims of foreigners and citizens stand upon equal ground, then the farmer ought to be left at liberty to supply himself from which he pleases, and to sell his corn where he pleases. But if the general good of the country require that the farmer should be compelled, either to do without these articles, or to buy them of his fellow-citizens, he has no right to complain of being compelled to do this, for he holds his land upon which he raised his corn upon condition, that he should use it, in such a manner as shall be most for the public good. His right of property is not absolute, for the whole community has an interest in it, and the nation has a right to make such regulations respecting it, as the public good shall require.

It may, perhaps, be urged, that if there be any part of the nation unemployed, they are at liberty to engage in manufactures, and may sell them for

what they will bring, which will be so much clear gain to them at whatever price they may be sold. In other words, they will be in the predicament of the tailor, who makes shoes when he has nothing else to do.—That the more fortunate classes of the nation, who have full employment in their occupations, and an ample market for the product of their labour, ought not to be compelled, either to support the less fortunate classes, or to share with them their gains.—The tailor and farmer, when unemployed in their ordinary occupations, find it for their advantage to turn a part of their attention, the one to making shoes and raising corn, the other to making cloth and coats, and they therefore do it, without any law to encourage them to do so, or to prevent them from dealing with each other, whenever they think proper;—so that part of the nation which is out of employment will turn their attention to manufactures, whenever they find it for their interest, without any law to encourage them to do so, or to compel the rest of the nation to consume the product of their labour.

This is again destroying the unity of the nation by dividing it into classes, and looking to the interests of individuals, instead of looking to the interests of the whole, as one and indivisible.

Dr. Smith's favourite analogy of the tailor is not preserved, and the reasoning is, therefore, unsound. Let the analogy between individuals and nations be preserved throughout, and if it establishes the doctrine of *free trade*, I will become a disciple of Dr. Smith.

The analogy between an individual and a nation is departed from, and the above reasoning is therefore, false, because the *predicate*, in the two cases is different, and yet the same conclusion is drawn from each. The whole tailor is the predicate in one case, a fraction of the nation the predicate in the other, and to draw the same conclusion from each, is not less absurd, than it would be, to conclude that a tailor who had employment in his trade only half his time, had no employment for one of his hands, and had, therefore, better employ his right hand in making coats and his left hand in making shoes.

In the first place there is no specific part of the nation wholly unemployed, any more than one of the tailor's hands is wholly unemployed, because he has not constant employment in his trade. The cotton and tobacco planters, and a few other classes, may, perhaps, have full employment, in their occupations, because there is a complete consumption of the product of their

labour. All the other classes may be unemployed, more or less. There is not such a demand for the product of their labour, in their various occupations, as to call forth their usual energies, and excite such a degree of industry, as is necessary to procure an ordinary portion of the necessaries and comforts of life; but in order to engage in manufactures, it is necessary that a portion of the nation, devote their exclusive attention and industry to the business, and they must be able to live by it.

To show the positive benefit which restrictions and prohibitions on importations of foreign manufactures, may have, in promoting national wealth, let us suppose the unemployed time of the nation, to equal the perpetual idleness of a hundred thousand men. In order to give the nation full employment, and to promote national wealth to the greatest possible degree, we will also suppose, that a hundred thousand men engage in manufactures. That labour they were in the habit of performing, in other occupations, and which afforded them a scanty support, they leave to be performed by the rest of the nation, which of course by giving them full employment, enables them to enjoy in greater abundance, the necessaries and comforts of life. In order to ascer-

tain whether these men can live by their new employment, without any encouragement and protection from the government, by restrictions and prohibitions on importations of those articles, they are employed in manufacturing, several important inquiries must be made.

What quantity of goods can these men manufacture in one year? What is the value of the same quantity of goods of foreign manufacture? What portion of this value did the raw material constitute? What quantity of manual labour did it require to manufacture these goods in the foreign country? In short, what is the comparative expense of manufacturing an equal quantity of goods in the two countries? The result of this inquiry will show whether these men can live by their labour, without encouragement and protection by the government, and what degree of protection is necessary to enable them to carry it on.

The quantity of goods which these hundred thousand men manufacture annually, must sell for enough to pay for the raw materials—for the necessaries and comforts of life consumed by them and their familias, while employed in manufacturing the goods: and as they are as meritorious a class of labourers, as any other in the nation, and equally entitled to the favour of the

nation, they should be allowed an ordinary share of the necessaries and comforts of life,—a share equal to that enjoyed by other labourers. In addition to this, the goods must sell for enough to pay an ordinary profit on the money vested by the capitalists in these manufactories. Unless this is done, the business cannot be prosecuted. Unless the goods sell for enough to pay for the raw material, and the necessaries and comforts of life, consumed by the labourers, while employed in their work, there will be a positive loss to the manufacturers. If a man employed in making shoes cannot sell his work, for as much corn as he eats while at work, he must necessarily starve by his work.

If then the unemployed time of the nation equals the perpetual idleness of a hundred thousand men, and a law which prohibits the importation of foreign manufactures, has the effect of giving employment to a hundred thousand men in manufactures, without at the same time diminishing the amount of agricultural and mercantile industry, the consequence of such a law, will be, to augment national wealth, to the precise amount that the goods would have cost, had they been imported from foreign countries. This effect is produced without diminishing one whit the con-

sumption of the country; but, on the contrary, encouraging it—without depriving the nation of any of the necessaries or comforts of life, but furnishing them in greater abundance. Some classes of society, may perhaps, get less, but others get more. The capacity of the nation, to acquire the necessaries and comforts of life, will be increased to the amount of what has been thus saved; or rather, in proportion to the increase of industry, which is equal to the labour of a hundred thousand men.

This shows the advantage of a system of political economy, which regards a nation as an individual, or UNITY, in opposition to a system which considers it as an indefinite number of individuals, all having distinct and separate interests, always in opposition to each other, and often in opposition to the interests of the nation.

The doctrine of buying, where we can buy cheapest, may be overthrown by another mode of reasoning. What does Dr. Smith mean, when he says, "if a foreign country can supply "us with a commodity cheaper than we our- "selves can make it, better buy of them," &c. Does he mean, that if a farmer can buy a bushel of corn cheaper than he can raise it, better buy than to raise it? If a mechanic can buy an arti-

cle in the line of his trade, cheaper than he can make it, better to buy than to make? Or, if it will cost a manufacturer more to make a piece of cloth, than to buy it, better to buy? If this be his meaning, it leads to a total suspension of all improvements, and an ultimate destruction of all industry.

It will cost a farmer more to clear a piece of land, and raise a crop of corn, than it would to buy the corn; therefore, says Dr. Smith, better buy the corn, than to clear the land and raise it. Had our enterprising countrymen reasoned in this way, our western states would still have been the haunts of "savage beasts, and still more "savage men."

But, perhaps, he would say that the "vendi- "ble commodity," in which the labour expended in clearing the land, "realizes itself," is in the improvement of the land, and not in the corn; and therefore, the land is to be charged with the expense of clearing.

The land, however, is cleared for the purpose of raising corn, whether one crop, or one hundred crops, is immaterial, so far as the terms of Dr. Smith's doctrine are concerned. He says nothing about an ultimate benefit, nor can his doctrine be extended to an ultimate benefit, for

that would let in the doctrine of prohibitions and restrictions, to the utmost extent that has ever been contended for. If restrictions will not cause an ultimate benefit to the nation, which will counterbalance the immediate inconveniencies, no man ever pretended that they should be imposed. If they do this, they come precisely within the principle which governs the farmer in clearing his land for a crop of corn. If it be wise for an individual to clear a piece of land, and raise a crop of corn, at an expense of five dollars a bushel, when he might have bought it for one, it may be wise for a nation to do the same thing.

Corn laws are most beneficial to the labouring classes, while they have usually been opposed, upon the ground that they were beneficial to the landholder, and prejudicial to the labouring classes; and indeed all restrictive laws on foreign industry, are necessarily more for the benefit of the labouring classes of a community, than for the property holders.

But let us apply this doctrine of buying cheap, to manufactures. Before a man can manufacture a piece of cloth, it may be necessary for him to spend five years in learning the trade. It may be necessary to expend a good deal of money in

erecting mills and machinery, and the very first piece of cloth he manufactures, may cost him a thousand dollars a yard.—Better, therefore, says Dr. Smith, to buy than to make it. But the doctrine, it will be said, is not to be limited to the first piece of cloth. Let it be extended then, to one year, and then, perhaps, each yard of cloth will cost a hundred dollars; still, therefore, better to buy than to make. But let it be extended to ten or twenty years, and perhaps each yard of cloth may not cost three dollars; and when this comes to be the case, it may be much cheaper, and therefore, better to make than to buy.

The doctrine, therefore, of not making for yourself, what you can buy cheaper than you can make, in the unqualified manner in which Dr. Smith lays it down, is a most absurd and unprovident doctrine, and leads to utter ruin, even in private life, and much more to national ruin. It is a miserable, short-sighted, beggarly policy, calculated to prevent all improvement in the capacity of either individuals or nations, for acquiring the necessaries and comforts of life.

To suppose, as many writers do, that a monopoly of the home market, has a tendency to benefit the rich, instead of the poor, is most absurd. A monopoly of the home market for corn, may

raise the price of corn to the consumer, it is true, but the effect is more than counterbalanced to the labourer, by the greater demand it creates for labour. Many writers have made the price of commodities, and the price of labour, matters of great importance in political economy; but their absolute, or rather nominal price, is of no importance whatever;—it is only their relative price that can affect the labourer. If a labourer is obliged to give five dollars a bushel for corn, and can, at the same time, get five dollars a day for his work, it is just as well for him, as though he could buy corn for fifty cents a bushel, provided he can, at the same time, get only fifty cents a day for labour. The money price of labour, is a matter of no consequence in any country, neither is the money price of the necessaries of life. The proportion which the price of labour bears to the price of the necessaries of life, is the only important thing, as it regards wages, and a monopoly of the home market, must invariably have a tendency to vary this proportion in favour of labour.

Another important advantage, arising from a monopoly of the home market, is the certainty and stability of the demand for the product of industry. All fluctuations in the demand for either the necessaries or comforts of life, produce

want and distress among the labourers, who supply the demand. This nation is at present groaning under the distress, caused by a fluctuation in the demand for the product of labour. The national distress in England, arises from the same cause. The consumption does not equal the production, which, as has already been shown, necessarily produces distress. This is always liable to be the case, when the consumption depends on a foreign market. This market is liable to be interrupted by foreign nations. But this is not the case with a domestic market. In this, the demand is always steady, and usually increasing. It is not liable to be interrupted by foreign nations, so long as a nation maintains its independence.

If the whole product of English industry, was clean consumed annually by the English nation, there would be little or no distress there—there would be no fluctuations in the demand for labour. The product of their industry is abundantly sufficient for the comfortable supply of all the people, and if it was all consumed in the country, there would necessarily, a much more equal division of this product take place. But as a part of the people depend on foreign nations, to consume the product of their labour,

they are in a great measure, at the mercy of these nations. They may consume their produce, or not, as pleases them best. In proportion as foreign nations stop consuming British manufactures, in that proportion must British subjects be deprived of the means of procuring the necessaries of life.

These are not, however, the only advantages arising from a monopoly of the home market. As such a market tends to augment the quantity of national industry, and of course national wealth, it also tends to make the people more habitually industrious; and habits of industry constitute a portion of national wealth. A man, who is industrious from habit, has a greater capacity for acquiring the necessaries and comforts of life, than one in similar circumstances, with idle habits: so of a nation.

A monopoly of the home market, has the effect of increasing a nation's skill in the arts and sciences, because it affords a motive for improvement in them. Improvement in the arts and sciences, is as effectual a mode of increasing the capacity of a nation, for acquiring the necessaries and comforts of life, as improvement in the cultivation of its land. A skillful mechanic has a greater capacity for acquiring the necessaries and

comforts of life, than a man of equal strength, without any mechanic art. A nation, thoroughly skilled in all the arts, possesses a more inexhaustible source of national wealth, than if it possessed mountains of gold; and it would be much better economy for a nation, to impose heavy taxes for the purpose of acquiring such a source of wealth, than for conquering provinces, containing mountains of gold.

The extensiveness of the manufacturing establishments in England, in consequence of which the manufacture is carried on with much more economy—the multitude of people they employ of every age and condition, at wages which barely supply them with the necessaries of life, and not even that, as the public maintains many of them some part of the year as paupers—the superior skill which these people have acquired in many branches of manufacture, render it utterly impossible for the people of this country to enter into competition with the English upon equal terms, and they never will be able to enter into such competition, until they are reduced to the necessity of working as hard and living as poor, as the English labourers, which it is to be hoped will never be their condition. A tariff, therefore, on British manufactures, adequate to counterba-

lance all these disadvantages, is necessary to enable our countrymen to engage successfully in the manufacture of a great variety of articles.

But besides these, they must also be protected against the fluctuations in the market, caused by occasionally throwing into our market the surplus product of British manufacture, and selling it, sometimes at half its original cost.

In a country where manufactories are so numerous and extensive as in England, there must necessarily be a surplus of production over the regular consumption, in many articles every year. It will be impossible to regulate the supply so exactly to the demand, as to prevent this; and where every branch of industry is pushed to the extreme, that it is in England, there is much more probability of a surplus than a deficiency in the supply. This surplus must be disposed of at some price, and if it only sells for half the original cost, it is better to sell it for that, than to keep it on hand in expectation of being able to throw it into the consumption of the following year at a saving price, and this the English manufacturers understand perfectly well. They, therefore, send this surplus, of which there must always be more or less of some particular articles in every manufactory, to the American market,

and sell it at auction, often for one half the prime cost. This temporary supply causes a fluctuation in the American market, and reduces the price of the article below the cost of manufacturing it here, and breaks up our infant manufactories. After this is done, the English manufacturers can remunerate themselves by selling their goods in our market at a fair price, with but little competition from the American manufacturers.—

If goods could be manufactured as cheap in this country as in England, a tariff would be necessary to protect the American manufacturer against the fluctuations caused by these irregular supplies.

There is no part of the statute book that requires such frequent revision, as the tariff law, although we sometimes hear it said, that a tariff should be permanent, and seldom, if ever changed; but this is a great error. A year does not pass in which the tariff upon some particular article may not be raised with advantage. The most general rule on this subject is, that a tariff ought not to be reduced, although it may frequently require to be raised. The next most general rule is, that a tariff should be lowest upon those articles which are not, or cannot be produced in the country, and highest upon those which employ

the greatest number of people, or the greatest portion of the industry of the country. In pursuance of these two rules, the tariff should be frequently changed, and gradually raised upon different articles of domestic manufacture, as they spring up in the country.

If an existing tariff on a particular article is suddenly reduced, it will have the uniform effect of prostrating, and probably totally destroying that branch of manufacture. The reduction of a tariff is one of the harshest and most violent measures, that a government can possibly adopt. Suppose, the tariff to be reduced twenty per cent, upon some branch of manufacture, which occupied a numerous class of people. What will be the effect? These people probably did not make more than ten per cent profit upon the whole amount of goods, they manufactured. This is a liberal allowance for profits on manufactures in any country. By reducing the tariff twenty per cent, the price of the goods would be reduced twenty per cent, provided there should be a foreign supply, and of course, unless the American manufacturer used either more industry or more economy, which might not be in his power, he would lose ten per cent on all the goods, he manufactured.—He would, therefore, be obliged to abandon his business, or be ruined.

A tariff should be laid with reference to the future beneficial effects it is to produce, rather than to its immediate effects. That is a miserable short-sighted policy, in private economy, and much more so in public, which looks only to the present, and disregards the future—it is killing the goose to get the golden egg. In private life, we look upon him as a wise man, who subjects himself to present privations and hardships, with a view to an ultimate benefit which shall overbalance the hardships. It is accounted wise, for a man, in his youth, to labour hard, and fare hard, that he may enjoy the good things of this life, more abundantly in old age. It is accounted wise for a man to go to great expense in clearing his lands, in building houses, mills, making roads and bridges, with a view to a future augmented product of the necessaries and comforts of life. It is accounted wise for a man to spend many years as an apprentice, to learn a trade, which may be a source of wealth in after life. This he does, to increase his capacity for acquiring the necessaries and comforts of life. "What is wise and prudent in the conduct of "every private man, can scarce be folly in that of "a great kingdom," says Adam Smith.

It may be, and often is folly in a legislator, not to be longer-sighted in his schemes, than the wisest private individual. The schemes of the latter can only be adapted to the probable duration of this life, which can only be for a few years at most. The schemes of the former, may be adapted to the life of the nation, to which no limit can be fixed. Upon the same principle then, that it is wise for an individual to make calculations, and adopt measures, which look ten or twenty years ahead, it may be wise for a legislator to adopt measures, which look centuries ahead. Although it may be more beneficial for the time being, for a nation to import, than to manufacture its own comforts of life, still that ought not to decide the question. The inquiry should be made, how will it be fifty years hence? Admitting, that for the first five years, domestic manufactures may come at double price, still, if in ten, they will come at single price, and in twenty, at half price, we may be very sure that the present extra cost, is money well laid out for the nation, more especially, when it is considered that the annual product of labour cannot be accumulated, but must be annually consumed.

Although a high protecting duty may therefore prevent an individual from enjoying so great a portion of the comforts and luxuries of life, as he might otherwise do, or prevent him from accumulating so much private wealth, still national wealth is not thereby in the least degree diminished at any time.

From this it is not to be inferred that in all cases it would be advisable for government to secure to its own citizens the monopoly of the home trade, either by absolute prohibition of foreign importation, or by high protecting duties. All measures upon this subject should be regulated according to the existing circumstances of the nation; and the first thing to be ascertained is, whether the nation has full employment in its ordinary occupations, or whether the sum of national industry is likely to be augmented by such a measure. A great deal of mischief may be done by an imprudent restriction upon the freedom of trade—it may have the effect to diminish the consumption of the country, which will paralyze, instead of invigorating industry. But when the people of a nation have not full employment, and a measure of this description will have the effect to give employment to a portion of them, it will promote the general prosperity of the

country, and augment national wealth, although it may be adverse to the interests of some individuals.

A government like ours, I know, cannot be administered upon such liberal and enlightened principles, and there is no hope that any other form of government will be better calculated to promote national prosperity and wealth. The people always look to their immediate interests, and certain classes will always have an undue influence over the government. Individuals have always a more contracted view of public, than of their own private affairs. A man will calculate his private affairs on a scale of twenty years, with more patience, than he will calculate public affairs, upon a scale of two years. The reason is obvious. He enjoys the full and exclusive benefit of his calculations in the one case.—He shares with the whole nation, the benefit of the calculations in the other. This is the reason why private affairs are more wisely conducted than public.

Such ought not, however, to be the case with a legislator. "He who has undertaken the mag-
"nificent work of promoting national wealth and
"making a nation happy, should not be governed
"by the narrow minded views of private interest.

"He should not busy his thoughts with acres, but "with states—not with a ship, but with navies— "not with a warehouse, but with cities." Let him do this, and although he may not be able to carry a true policy to the extent that might be desired, still he will be able to carry it to a much greater extent than it has ever yet been carried.

"The government under which we live is an "experiment in politics; and it has been thought "a spectacle interesting to the world, to see how "a people, *perfectly free*, would manage their "affairs. In relation to a government so popular "as ours, we may be allowed to ask with an anx- "iety bordering on fear, where are we to look for "that vast amount of political talents and legisla- "tive wisdom, of the power of persuasion, and "the authority of character, which will be neces- "sary to its energetic and beneficial administra- "tion?"

CHAPTER X.

Of Revenue and Expenditure.

The means by which a government provides itself with a revenue adequate to its expenditure, is called finance; and so important is this branch of political economy considered, that a stateman's abilities are usually graduated by his adroitness and skill in filling the treasury.

It is no doubt an important branch of the science, although by no means entitled to the pre-eminence it has received. A man cannot be a skilful financier without having an intimate knowledge of the resources of the nation; but skill in promoting national prosperity and happiness, is a vast deal more important than mere skill in filling the public treasury. Financial skill often consists in mere temporary expedients, for diverting a portion of the stream of public

wealth into the public treasury, without in any degree augmenting the stream. True political skill consists in an ability to augment the stream itself of public wealth. Financial skill consists in making provision for the government as contradistinguished from the nation. Political skill consists in making provision for the nation which includes the government.

It does not comport with the design of this work, nor with my ability to enter into the details of finance. A few general observations upon revenue, taxation, and public debts, without any reference to statistics, will comprise all I propose to say upon the subject.

The object of public revenue is to defray public expenditure, and this expenditure varies according to the nature of the government, and the number and magnitude of the public establishments which the government supports. Although two nations may be equal in wealth and population, and of course, as consumption must equal production, the expenditure of the two nations, which is but another name for consumption, must be equal; and their national revenue, which is but another name for production, must be equal also, yet their public revenue and public expenditure may be very unequal.

The annual product of a nation's labour is its revenue, although not usually so called, and the consumption of that product, is its annual expenditure; and as consumption should always equal production, so expenditure, as above explained, should always equal revenue.

There is, however, a distinction between the revenue or income of the nation, and the revenue of the government of that nation. The government is a constituent part of the nation, but not the nation itself, and the revenue of the government, is only a constituent part of the revenue of the nation. The revenue of the government, is that portion of the annual product of the nation's labour, which is paid into the public treasury for the purpose of defraying the charges and expenses of the government. This revenue constitutes a public fund, which the government again distributes to the nation, according to established laws and usages. The revenue of the nation therefore includes the revenue of the government, and the expenditure of the nation, includes the expenditure of the government, and so long as the revenue of the nation, equals or exceeds its expenditure, there can be no diminution of the wealth or resources of the nation, let the expenditure of the government be what it may.

If the revenue and expenditure of the government, exceeds the revenue, or the value of the annual product of a nation's labour, then the wealth and resources of the nation must be impaired and the nation must grow poor, because the expenditure of the nation, would in that case exceed its revenue,—its consumption would exceed its production.

With reference to the world, consumption cannot exceed production, for that which has not been produced cannot be consumed, but with reference to an individual or a nation, consumption may exceed production. If a nation procures the necessaries and comforts of life from foreign nations upon credit, or exports its gold and silver, or mortgages any of the permanent resources of the country to pay for them, its expenditure is greater than its income, and its capacity to procure the necessaries and comforts of life in future, is impaired, but while a nation's own productions pay for all that it procures from other nations, there is no diminution of its wealth or resources, upon account of an excessive consumption.

If the quantity of productive labour decreases, the nation will not enjoy the necessaries and comforts of life in so great abundance, or if the effective labour of the country decreases, the source of

wealth may be impaired; not in consequence of an excessive consumption, but because of a diminished capacity for production.

Suppose the government appropriates ten millions of dollars to building ten ships of the line, and that in consequence, its revenue falls short ten millions of the expenditure. This ten millions it loans, and pledges the resources of the nation for the payment of the interest. It does not follow that the expenditure of the nation is any the greater for this increased expenditure of the government. If the ten ships were purchased of foreign nations, or if foreign architects were hired to build them, the expenditure of the nation, might be increased by it. But if the government pays these ten millions to its own citizens for building the ships, then the expenditure of the nation, might not be increased by this increased expenditure of the government. The product of industry should all be consumed annually, whether the ships were built or not, and as all the money was borrowed of the nation, and is again paid to the nation, there is the same amount of property and money in the nation, after, as before the ships were built. The money may not be in the same hands. It has been transferred from the money lenders to the

ship builders, and to those who furnished the materials, and in its ramifications through the community, it may have caused a good deal of stimulus to the industry of the nation; but as no part of the money, has, by the supposition, been sent out of the country, nor any debt contracted to foreign nations for any part of the materials, or inasmuch as the national expenditure has not been made to exceed the national revenue in consequence of building the ships, it is utterly impossible that national wealth can have been diminished in consequence of the expenditure.

But if the expenditure has the effect to diminish the quantity of labour which would otherwise be employed in the great departments of industry, then the product will also be diminished, and the nation must eat and consume less, because it has less to eat and consume. There is no doubt, but that the expenditure of the government, may be so out of proportion to its revenue as to produce this effect, although it may not cause the consumption of the nation to exceed its production. As a general rule, it is no doubt true, that individual is preferable to public expenditure. Individuals will appropriate and consume that portion of the nation's revenue, which falls to their share, according to the natural division of

property, labour, and skill, in a way which will be more beneficial to the nation, than the government would do, and it is better, therefore, for the nation, that it be left with them, although the amount consumed, should be the same in both cases.

It is perfectly manifest, that so long as the expenditure or consumption of the nation, does not exceed its income or revenue, no expenditure by the government of that nation, can exceed its resources; for the resources of the government are co-extensive with the resources of the nation.

It is also manifest, that the expenditure of the government, may exceed its revenue to any amount, and for any length of time, provided it does not cause the national expenditure to exceed its revenue. Such deficiency of the public revenue, must be supplied by loans, and this resource can never fail, so long as the government keeps its faith with the public creditors, and the annual product of the nation's labour or revenue, equals or exceeds its annual expenditure or consumption. The government may go on borrowing money, until the public debt shall equal the whole amount of the property belonging to the nation, so that the interest of the debt, paid to the public creditors, together with the ordinary expenses of

the government, shall equal the whole amount of the annual product of labour. So long as this expenditure is all paid to the nation, its passing through the public treasury, only amounts to an artificial mode of distributing the product of labour to the people, and does not necessarily cause the nation to consume any more than the annual product of its labour.

If, for example, the annual product of labour be equal to one hundred millions, and the ordinary expenses of the government in maintaining its civil, military and naval departments, be equal to twenty millions, the public debt may be augmented, until the interest on it amounts to eighty millions, before the national expenditure will necessarily exceed the national revenue. More it cannot pay, (because its revenue is no more) without impairing its resources, for when a nation's expenditure exceeds its revenue, it must grow poor,—then consumption exceeds production. But it does not follow, that consumption exceeds production, because the whole annual product of labour, or what is the same thing, its value in money, passes through the public treasury.

The revenue of the government consists of all the money, that is paid into the public treasury.

That portion which arises from taxes, may be called its ordinary or regular revenue.—That which arises from loans, may be called its extraordinary or irregular revenue.

The expenditure of the government may be divided in like manner. Its ordinary expenditure consists of whatever is paid for the support of the government, as such.—In defraying the expenses of the civil list, and of the army and navy. Its extraordinary expenditure consists of the interests paid on the public debt, or on the extraordinary revenue. The source of this irregular revenue of the government, can never fail, so long as the government maintains its credit, or so long as it can borrow money. After the money borrowed, has been converted into a public debt by funding, the taxes laid to pay the interest on it, constitute a part of the ordinary revenue, so that the government will always be able to borrow money, as long as it has power to increase its ordinary revenue by taxation, or until it becomes impossible to levy and collect more taxes. When the irregular source of revenue fails, or when a government can borrow no more money, it must become bankrupt, for the regular revenue and expenditure of the government, can never be made to balance so exactly, as to render loans

unnecessary, and when a government wants money, and cannot obtain it, except by violence, from that moment, it must stop payment, and be bankrupt.

The question has been very much disputed among political economists, whether there is any point of expenditure, at which a government must necessarily become bankrupt, or in other words, whether it can increase its revenue by taxation and loans, *ad libitum;* the real question, however, is, at what point of expenditure must a government become bankrupt, for it can scarcely be maintained seriously, that the expenditure of a government can be increased to infinitude. Such a manner of expression is merely figurative, and is not intended to be understood literally, but only as expressing the opinion, that the expenditure may be increased to a very great extent, before bankruptcy will necessarily take place.

Although no theory of government, or any thing else which depends on human will, can ever be carried into perfect practice, because perfect reliance cannot be placed on the uniform operations of the human mind, and of human action, yet, no man ever doubted the utility of theory in government—in laws, and in all moral sciences. and for like reasons it is useful to have

theories of finance, and to know to what extent public expenditure may be increased, although it is to be hoped that no nation will ever suffer the theory to be tested by experiment.

I have endeavoured to show that the expenditure of the government, ordinary and extraordinary, may be increased until it equals the revenue of the nation, or the value of the annual product of its labour. I say the ordinary and extraordinary expenditure of the government, because it would not be possible for the ordinary expenditure of the government to equal, or any thing like equal the revenue of the nation, for if the officers of government, the army and navy, were to consume the whole product of a nation's labour, the nation would of course starve, but if ninety-nine hundredths of the expenditure of the government consists of interest paid on a public debt, and is, therefore, paid to the nation, it may be adequate to the maintenance of the nation. The whole expenditure is by the supposition made in and to the nation.—In other words, the debt is a national and not a foreign one.

If the annual product of a nation's labour, be equal in value to a hundred million, and the revenue of the government be also a hundred million, then the expenditure of the government,

will likewise be a hundred million, and after the expenditure is made, the nation is just where it started, and the money may all have returned again to the very persons who first paid it, and the nation is prepared to go through the same process again. A farmer has paid a thousand dollars into the public treasury, equal to the rental of his farm.—The government has paid the same money to one of its officers, and he has returned it to the farmer for provisions and for labour. A manufacturer pays ten thousand dollars into the public coffers, equal to the whole value of the product of his labour.—This money the government pays to a public creditor as interest on the public debt, and the creditor returns it to the manufacturer in payment for goods, which he and his dependents consume, and thus the money circulates from hand to hand, and is paid away for precisely the same considerations, after it has come out of the treasury, that it would have been paid away for, had it never been paid into the treasury, and it amounts to no more than an artificial mode of dividing property, and of distributing the product of labour among the people. It is merely substituting uses and trusts for the actual possession.

Those who have the possession and the legal title to property, have not the beneficial interest in it. Those who are apparently, and according to deeds and records, the landed proprietors, are merely tenants to the public, or, if you please, to the public creditors; and they may be very well contented to be so, for the same reason that men who have no land of their own, are satisfied to become the tenants of those who have.

A government, therefore, that supplies a deficiency in its ordinary revenue by loans, adopts a measure by which it separates the use of property from the possession, and transfers to the public creditor, a beneficial interest in the property of the nation, to the amount of the money borrowed, and if the government pursues this policy until the money borrowed equals the value of all the property of the nation, it will then have effected a complete separation of the use from the possession of all the property of the nation, and have transferred the beneficial interest of all the property to the public creditors, and ther the annual expenditure of the government, will equal the annual revenue of the nation, or the value of the annual product of labour.

It is generally supposed by the multitude, and indeed by most writers on the subject, that

when a government is compelled to resort to loans to supply the deficiency in its ordinary revenue, it is proof of wastefulness and extravagance. That this is true, as a general rule, may be admitted, but it often is not the case.—Such a system may be adopted from policy, although an erroneous one.

To illustrate this abstruse subject a little farther, let it be supposed that a government adopts the policy of supplying the ordinary expenditure of the government by an extraordinary revenue—that is, by borrowing each year such a sum as will defray the necessary expenditure of the government in paying its civil list, and supporting the army and navy. Suppose a government to be established upon the most economical plan, as much so as that of the United States, and suppose its necessary expenditure to equal ten millions of dollars. and that it adopts the policy of borrowing ten millions each year for the purpose of defraying that expenditure, and levies such an amount of taxes only, as is necessary to pay the interest on the money thus loaned. In other words, the whole amount of its taxes would then be appropriated to the payment of the interest on the public debt, and that debt would increase in the arithmetical ratio of the necessary expenses

of the government, and the taxes would increase in the like ratio. Here is a case in which there is no wastefulness or extravagance by the government, although the public debt is increasing most rapidly, and will ere long drive the nation to bankruptcy.

The objection therefore to a public debt, or rather to supplying a deficiency in the ordinary revenue by loans, does not arise from the abuse by the government of the public funds, nor in wastefulness and extravagance, but in the inherent viciousness of the system which necessarily leads to ruin. In the case supposed, of the most rigid economy by the government, and without any increase of its expenses, the nation would soon become bankrupt, although the government is supposed to borrow money on the best terms, and to pay no more than a fair equivalent for its use.

If the government should borrow the money at five per cent interest, the taxes to pay that interest, would in twenty years equal the ordinary expenditure of the government, and in a hundred would amount to fifty millions of dollars, and in the course of time the government must inevitably become bankrupt, for the revenue of

the whole world would not pay the interest on the public debt.

The system therefore of supplying a deficiency in the ordinary revenue of the government by loans, is inherently and radically bad, and will produce national bankruptcy if persevered in, as soon as the interest on the public debt, comes to equal the whole revenue of the nation, or the annual product of labour. The vice of the system consists in the difference between rent and interest. This difference and the cause of it, have been explained in a former chapter. Interest is always higher than rent, because of the risk which the lender runs of losing the principal. There is another reason for the difference. Money is the instrument for speculation, and most men have such confidence in their own ability and skill, and are so blinded by their own self-love, and the love of hazard and speculation, inherent in all men, that they are always ready to believe, that if they had money, they could use it to advantage, and make more than interest with it, and are therefore always ready to borrow or hire at a rate of interest which no regular business will justify, and therefore interest is always higher than rent by a greater difference than the risk of losing the principal would cause.

A government cannot, therefore, as a permanent policy, afford to defray its expenses, whether ordinary or not, by loans, for the same reason that a farmer cannot afford to borrow money at bank, for the purpose of carrying on the business of agriculture. The interest paid for the loan is greater than the profits arising from his business, and as governments usually borrow money at about the usual rate of interest, it of course pays or binds the nation to pay, a greater interest than the profits arising from the different branches of business, carried on by the nation, will justify In other words, the government binds the nation to pay a greater interest than the business it carries on can afford, and of course, the interest will in time, as certainly swallow up the principal, or the whole property of the nation, if such a policy is extensively adopted, as a man's farm will be swallowed up, who pays more interest at bank, than he makes profit or rent from his farm.

A government that supplies a deficiency in its ordinary revenue by loans, ought not to pay more than the rate of rent, as interest for the loan, because there is no risk to the lender of losing the principal, and he ought not therefore to receive any compensation for the risk; but the government can only borrow money upon such terms as

the lender pleases, and is therefore obliged to pay the ordinary rate of interest for the money, which is usually about two per cent higher than rent, and this two per cent is an absolute sacrifice of the interests of the nation, to the interests of the money-lenders.—The policy of supplying the ordinary expenditure of the government by loans, is therefore, a ruinous one, and must sooner or later, like every other bad system of government, cramp the energies of the nation, and impede its progress in wealth.

It may, perhaps, be contended, that if consumption must equal production, and expenditure must equal revenue; whether the annual product of a nation's labour all passes through the public treasury for distribution, or the people are left to divide it among themselves, in the first instance, according to the quantities of property, labour and skill, which they individually furnish towards its production, can make no difference as to the quantum of wealth, and that it is, therefore, a matter of very little consequence, whether a government supplies its revenue by taxes, or by loans, or whether it pays a high or low rate of interest, provided, the expenditure of the government is always kept within the expenditure of

the nation. But this conclusion by no means follows.

In treating of nations—of revenue—expenditure and public debts, it is necessary to consider them, as though they were given quantities or mathematical figures, not liable to be affected by any indirect, or remote moral influence. But as the skilful mariner makes allowance for lee-way, occasioned by tides and counter currents, so the politician should make allowance for lee-way of the ship of state, occasioned by the indirect moral influence which a bad policy may cause.

Besides the trouble, vexation and expense, which the collection of an enormous revenue must always occasion, although the whole of it is again returned to the nation, such a policy has a strong tendency to produce an unequal division of property, and an unequal division of labour, and by relieving one portion of the community from the necessity to labour, it imposes a like necessity upon another portion, to labour harder, and live poorer, and ultimately such a system must diminish the quantity of productive and effective labour, and thereby retard the progress of the nation in wealth.

Although England has adopted this vicious system to a greater extent, than any other nation,

and has nevertheless increased more rapidly in wealth and power, than any other European nation, yet the intense labour and hopeless poverty to which a large portion of her population is reduced, are but bad symptoms of national prosperity and happiness, and very equivocal evidencies of a sound policy, and it is morally certain, that if the system is persevered in, it will ultimately paralyze the arm of industry.

But although as a general rule, the ordinary revenue of the government should be equal to its expenditure, whether ordinary or extraordinary, yet, there are emergencies when it may be expedient, if not necessary, to resort to loans. It is often impossible to raise by taxation within the time when the money may be wanted, a sum equal to the necessary expenditure of the government; and it is beyond all question better for the government to borrow money upon such emergencies, than to make provision for them beforehand, by hoarding up. Each generation should bear its own burdens; but for a government in time of peace, to collect a treasure for the purpose of defraying the expense of future wars, or any other expense, is to saddle the present generation with the burdens of a future one. But to borrow money, and charge the property of the

nation with the payment of the interest on it, is merely an artificial mode of appropriating the property of the present generation for its own benefit, and does not in any manner whatever interfere with the rights of posterity, except by imposing upon it an artificial and vicious system.

There are particular emergencies, as during an expensive war, when it may be expedient for a government to resort to loans, to supply its expenditure, precisely for the same reason, that it is often expedient for a merchant, to borrow money at bank. The loan in one case, may prevent national, and in the other individual bankruptcy, but as a permanent policy, the system of loaning is ruinous in both cases, and the debt should therefore be paid off as soon as practicable.

It is not, however, to be inferred from this, that a nation should never have a permanent public debt.—Such a debt of moderate size is exceedingly convenient for many purposes, and can cause no inconvenience to the nation.—A funded debt is a species of property much better adapted to the use of certain classes of the community, than any other.—As it is more easily transferred and transmitted than any other kind of property, it serves as a standard of value, and a species of currency; but as a nation's property ought not all

to consist of money, neither ought an undue proportion of it to consist of public stock.

Although the expenditure of the government must ultimately equal its revenue, yet, it need not do so within given periods, as within each year, and it is better that the ordinary revenue of each year, should exceed the expenditure of the same year, so as to leave a surplus in the treasury, than to fall short, or even just equal it. There are always a great many public works, which can be effected to much better advantage by the government, than by individuals. Should there be a surplus of a million or two in each year, it can always be appropriated to great advantage to the nation, in making roads, canals, docks and other public improvements, which otherwise could not be made; but if the revenue falls short, it must be supplied by loans.

In expenditures of this description the government should be careful to confine itself to those objects, which are strictly public, and not interfere in any degree with individuals in the great departments of industry. It should not meddle with agriculture, commerce, or manufacture—these belong to individuals.

Whether education should be at the public expense, or be left wholly to individuals, is a

a question that opens a very extensive field for discussion, and many strong arguments may be adduced on both sides. That it should be promoted and encouraged by the government, there can be no doubt; but what portion of the expense, if any, should be defrayed from the public treasury, is not so easily determined.

It is certain, that no expenditure by the government can more effectually promote national wealth and prosperity, than the general diffusion of knowledge; and it is equally certain, that unless the government defrays a portion of the expense, it never will become general. There are, and always must be, a vast many people in every country, who either want the means, or the inclination to educate their children, and it therefore seems necessary and proper, that the government should do something towards promoting an object of such public importance, and that a tax upon the community at large, for this purpose, is both desirable and proper, in a national point of view. Parents, who neglect to educate their children, do not merely prejudice their children by such neglect—they prejudice the public also, and it therefore behoves the public to adopt effectual measures, to prevent the evil it may sustain in consequence of the neglect or inability of parents to educate their children.

CHAPTER XI.

Of Taxation.

"TAXATION," says M. Say, "is the transfer of "a portion of the national products from the "hands of individuals, to those of the government, "for the purpose of meeting the public consump- "tion or expenditure."

"The object of taxation is not the actual "commodity, but the value of the commodity "given by the tax-payer to the tax-gatherer. "Its being paid in silver, in goods, or in per- "sonal service, is a mere accidental circum- "stance, which may be more or less advantage- "ous to the subject or to the government. The "essential point is the value of the silver, the "goods or the personal service." Thus far I quote M. Say with approbation, and adopt his sentiments, but the succeeding paragraphs contain, I apprehend, a radical error—what may be called

an error in the "first concoction," and therefore pervades and vitiates the whole system. "The "moment that value is parted with by the tax- "payer, it is positively lost to him; the moment "it is consumed by the government or its agents, "it is lost to all the world, and never reverts to, "or re-exists in society." And again, "the value "levied by taxation, never reverts to the mem- "bers of the community, after it has once been "taken from them."

"All taxation may be said to injure reproduc- "tion, inasmuch as it prevents the accumulation "of productive capital."

"A country heavily taxed, may be considered "in the same light as one labouring under natu- "ral impediments to production. With a heavy "charge of production, it raises a very small pro- "duct. Personal exertion, capital, and the pro- "ductive agency of land, are all but poorly re- "compensed: and more is expended in earning a "less profit."*

Mr. Ricardo has adopted the same principle, as the basis of his theory of taxation. Thus he says, "there are no taxes which have not a ten- "dency to impede accumulation, because there

* Say's Political Economy, book iii, on consumption.

"are none which may not be considered as "checking production, and as causing the same "effects as a bad soil or climate, a diminution of "skill or industry, a worse distribution of labour, "or the loss of some useful machinery."*

Say and Ricardo adopt the theory of Adam Smith, who had previously said, that "taxes upon "the necessaries of life have nearly the same "effect upon the circumstances of the people as a "poor soil and a bad climate." "Such taxes "when they have grown up to a certain height, "are a curse equal to the barrenness of the earth "and the inclemency of the heavens."†

The errors of these, and most other writers on taxation, have proceeded from their considering taxes with reference to individuals, instead of considering them with reference to the nation. If an individual is required to pay a hundred dollars into the public treasury, he is supposed to be the poorer by that amount, and if this individual is the poorer, those who confound national with individual wealth, take it for granted, that the nation is the poorer also, or at all events, the poorer, as soon as the government expends or consumes the hundred dollars. "From that mo-

* Ricardo's Pol. Econ. page 137.

† Wealth of Nations, book iv. chap. 2.

"ment," says M. Say, "it is lost to all the world, "and never reverts to or re-exists in society."

What is lost to all the world? Not the money itself, for that still exists in specie, and has merely been transferred from one hand to another. A portion of the product of labour—a quantity of corn, equal to a hundred dollars, has been consumed, and therefore lost, I suppose, to all the world. And for what purpose was this corn produced, but for consumption, and if the hundred dollars had not been paid into the treasury, the corn must, nevertheless, have been consumed, or have perished. Corn, or any other product, is no more lost by consumption, than one's dinner is lost by digestion. It is not, therefore, the act of consumption which causes the loss, but the circumstance of its being consumed by the government. And how does it appear that the loss is any greater on this account? If the hundred dollars paid by this individual, is no more than his proportion of the ordinary and necessary expenses of the government, it can no more be said to be a loss to him, than his necessary expense in fencing his fields, is a loss. A man may have the less money for paying his just debts.—A farmer may be said to be the poorer for giving corn to labourers for cultivating his

farm, and when the corn is consumed, it may be said to be lost to the whole world; but it is much better that such losses should be suffered than saved; and although an individual may have the less money for paying his just debts, yet the nation has not.

Nor is the nation necessarily any the poorer for the taxes paid to the government.—It will depend on the use made of the money by the government, whether the nation is the poorer or not.—If it is squandered in idle extravagance, or in useless wars, the nation may be the poorer for it.—If appropriated in discharging the necessary expenses of the government—in making some public improvement, or in carrying on a necessary war, the nation may be the more wealthy for the tax. If the individual who paid the hundred dollars happens to be a public creditor, and receives it back from the government as interest on his stock, he will be none the poorer for the payment of the tax. If his neighbour is a public creditor and it is paid to him, the individual who pays may have the less money for paying his just debts, but the nation is none the poorer for it. The doctrine, therefore, advanced by Say and Ricardo, in the unqualified manner in

which they have stated it, is altogether untenable.

Say supposes national wealth is to be augmented by accumulating the product of labour, and, therefore, he says, "a product consumed is a "value lost to all the world and to all eternity." But with what propriety can a commodity be said to be lost or destroyed, when it has answered the very object for which it was produced? Can a man be said to have lost his dinner when he has eaten it?

Say and Ricardo by considering taxation with reference to individuals, instead of considering it with reference to the nation, have fallen into another error, which I will here briefly notice. They suppose that when the government supplies a deficiency in its ordinary revenue by a loan, a portion of the capital of the nation equal to the loan, is actually annihilated, and that the nation is the poorer by the amount of the loan.

Thus Mr. Ricardo. "When for the expenses "of a year's war, twenty millions are raised by "means of a loan, it is the twenty millions "which are withdrawn from the productive ca- "pital of the nation. The million per annum, "which is raised by taxes to pay the interest of "this loan, is merely transferred from those who

"pay it to those who receive it, from the contri-
"butor of the tax to the national creditor. The
"real expense is the twenty millions, and not the
"interest which must be paid for it."* Say has advanced the same doctrine. He says, "it is true
"that the general wealth is not diminished by
"the payment of the interest or arrears of the
"debt.—The dividends are a value which passes
"from the hand of the contributor to the national
"creditor. Whether it be the national creditor,
"or the contributor who accumulates or con-
"sumes it, is, I agree, of little importance to the
"society; but the principal of the debt, what has
"become of that? it exists no more. The con-
"sumption which has followed the loan has anni-
"hilated a capital which will never yield any
"further revenue. The society is deprived, not
"of the amount of interest, since that passes from
"one hand to the other, but of the revenue from
"a destroyed capital. This capital, if it had been
"employed productively by him who lent it to
"the state, would equally have yielded him an
"income, but that income would have been de-
"rived from a real production, and would not
"have been furnished from the pocket of a fel-
"low citizen." Ricardo quotes the above pas-

* Ricardo's Pol. Econ. page 248.

sage, and says, "it is both conceived and ex-"pressed in the true spirit of the science."* But in my humble judgment it is mere sophistry.

How does it appear that the twenty millions, is not as much a part of the "productive capital "of the nation," after, as before the loan? How does it appear that this money or capital has been *annihilated*, in consequence of being loaned to the government? or that it would have been more productively employed, if it had not been lent to the state? These destructive effects have not been produced by a consumption of the product of labour in consequence of the loan, for such consumption must, or ought to be complete, whether the loan takes place or not, and if it is more complete in consequence of the loan, so much the better for the nation. The capital itself has not been annihilated in consequence of being paid into the public treasury—the money still exists in specie, and belongs to the nation as absolutely as ever, and if prudently expended by the government, may be as productive capital, and even more so, than before it was loaned.—Like dividends paid on public stock, it has merely passed from one hand to another—from the hand of the lender to the hands of those who perform

* Ricardo's Pol. Econ. page 249.

service or furnish materials to the government for the nation. There is no more destruction or annihilation of capital in the case of a public, than of a private loan, and whether the nation will be benefitted by the loan, and national wealth augmented by it, will depend in all cases upon the judicious or injudicious appropriation of the money by the government. The loaning system is, however, a bad one, for the reasons heretofore given, but not for the reasons given by Say and Ricardo.

In pursuance of this erroneous theory of considering taxation with reference to individuals, instead of considering it with reference to the nation, these authors have attempted to establish a distinction between taxes which fall, as they express themselves, on capital; and taxes which fall on revenue or income. Mr. Ricardo says, "it should be the policy of governments, never "to lay such taxes as will inevitably fall on capi- "tal; since by so doing, they impair the funds for "the maintenance of labour, and thereby dimin- "ish the future production of the country.

"In England, this policy has been neglected "in taxing the probates of wills, in the legacy "duty, and in all taxes affecting the transference "of property from the dead to the living. If a

"legacy of a thousand pounds be subject to a tax "of a hundred pounds, the legatee considers his "legacy as only nine hundred pounds, and feels "no particular motive to save the hundred pound "duty from his expenditure, and thus the *capital* "*of the country is diminished*, but if he had really "received one thousand pounds, and had been "required to pay one hundred pounds as a tax on "income, on wine, on horses, or on servants, he "would probably have diminished, or rather not "increased his expenditure by that sum; and "the capital of the country would have been "unimpaired."*

Say has advanced the same doctrine. He says, "all taxation may be said to injure repro- "duction, inasmuch as it prevents the accumu- "lation of productive capital. This effect is "more direct and serious, whenever the tax- "payer is obliged to withdraw a part of the "capital already embarked, for the purpose of "enabling him to pay the tax. Of this kind is "the tax on legacies and successions. An heir "succeeding to a property of one hundred thou- "sand francs, and called upon for a tax of five "per cent upon it, will pay it not out of his "ordinary income, burthened as it already is

* Ricardo's Political Economy, page 138.

"with the ordinary taxes, but out of the inhe-
"ritance, which is thereby reduced to ninety-
"five thousand francs. Wherefore, if it happen
"to be a vested capital of one hundred thou-
"sand francs, and be reduced by the tax to
"ninety-five thousand francs, the *national capi-*
"*tal will be diminished* to the amount of five
"thousand francs, thus diverted into the public
"exchequer. It is the same with all taxes upon
"the transfer of property. The owner of land
"worth one hundred thousand francs, will get
"but ninety-five thousand for it, if the purchaser
"be saddled with the tax of five per cent, the
"seller will have a disposable capital of ninety-
"five thousand francs only, in lieu of land worth
"one hundred thousand francs; and the *national*
"*capital* will sustain a loss of the difference.
"Should the purchaser be so bad an arithmetician
"as to pay the full value of the land, without
"allowing for the tax, he will sacrifice a capital
"of one hundred and five thousand francs in the
"purchase of value to the amount of but a hun-
"dred thousand francs. In either case, the loss to
"the national capital will be the same, although
"in the latter it will fall upon the purchaser in-
"stead of the seller."*

* Say's Political Economy, book iii. chap. 8.

According to this reasoning it will follow, that a parent who gives his children portions upon marriage, will diminish the national capital by the amount of the portions. In this case, the capital or property of the parent is diminished by the amount of the portion paid or given to his child, who is a part of the nation; and in the case of the tax on the heir, his capital or property is diminished, by the amount of the tax paid first to the government, and by it repaid to some one or more individuals of the nation. The only difference as it regards the effect produced on the *national capital*, is, that in one case the transfer of property is direct, and in the other circuitous; but the national capital is just as entire, after the transfer in the one case, as in the other. The difference in the object or motive of the transfer, does not affect the thing, or the value of the thing transferred. The trouble, vexation, and expense of collecting taxes, are not at present the subject of inquiry, and are not, therefore, taken into the calculation. These are serious evils, to be considered hereafter. Besides these, a heavy taxation has a very injurious moral influence on the people, by exciting disaffection and opposition to the government. But in forming theories upon the different branches of political economy, we must

consider property, population, and labour, as given quantities, or mathematical figures, not liable to be influenced or affected by human passion or the free agency of man.

The moral influence which measures may have, must be left to the politician who is to execute the theory. He must make allowance for human passion, human feeling, and all the moral effects which measures may have, the same as the skilful navigator makes allowance for leeway, caused by tides and counter currents. The navigator who should calculate course and distance according to the log alone, would be sure to wreck his ship; and the legislator would as surely wreck the ship of state, were he strictly to pursue any theory, however sound in the abstract, without accommodating it to circumstances, and adapting it to public opinion and popular feeling.

It is a demonstrable truth in theory that taxation may be increased until the revenue of the government equals the revenue of the nation, or the value of the annual product of a nation's labour, without impairing the source or cause of wealth, or the power and resources of the nation, provided the expenditure of the government is all within the nation, and

yet this theory can never be carried to this extent, because it would be troublesome and vexatious to the people, and they would not therefore submit to it. But a knowledge of the theory is not the less important on this account, as it will enable politicians, to avoid the shoals and quicksands upon which they might otherwise wreck the ship of state.

A heavy taxation is no doubt a very great evil to a country, not however, because it increases the consumption of the product of labour, nor on account of its destroying or annihilating any of the productive capital of the country, for it may or may not produce either of these effects, but it is an evil, because it inevitably tends to produce an unequal division of labour, and an unequal distribution of the product of labour. These are the effects which heavy taxation has produced in England—it has not impaired the national capital, and probably has not diminished the annual product of labour, but it has helped to reduce a part of the nation to such a state of hopeless poverty, that but for their poor-laws they would frequently be reduced to a state of starvation, while there was an abundance of food in the country.

It is a vulgar opinion, that taxing a commodity necessarily raises its price—but this is by no means the case, when taxes are judiciously levied. If all commodities are taxed in the same proportion, they will be of the same value, and bear exactly the same price, that they would do, if they were not taxed at all.

Value we have seen, is the relation or proportion which one commodity bears to other commodities, in regard to price. If, when shoes and hats are at a given price, a tax of ten per cent is levied on both, they will bear the same proportion to each other after, that they did before the tax, and the same quantity of shoes, will exchange for, or be of equal value, with the same quantity of hats.—If other commodities are not taxed, they will be raised in price with reference to those commodities, but if corn and all other commodities are also taxed ten per cent, the price of every thing will remain the same after, as before the tax. Whether taxation, therefore, raises the price of the commodities taxed, depends entirely upon the equality or inequality of the tax.

Commodities are purchased with, or exchanged for commodities. And if all commodities are affected by a tax in the same degree, the same

proportion which existed between them, will continue, and they will therefore remain at the same price. The money price of commodities is merely a nominal price, and always depends on the quantity of money in the country. If the quantity is increased, the nominal or money price of commodities will rise—if diminished, the price will fall in proportion, and unless taxation has the effect of increasing or diminishing the quantity of money in a country, it cannot affect the money price of commodities in mass, although unequal taxation will raise the money price of the commodity so unequally taxed, but it will also lower the price of all other commodities to the same amount, for if it raised the price of one commodity without lowering the price of others to the same amount, it would follow, that the money price of the mass of commodities could be raised without increasing the quantity of money.

I say, the money price of all other commodities will be affected to the same amount, but not in the same proportion. If a tax of ten per cent is laid on shoes, and no tax laid on other commodities, the price of shoes will be raised nearly, but not quite ten per cent, for in case of an equal tax, shoes would be required to bear a portion of it, but in the case supposed, hats and other commo-

dities will fall the difference between the rise in the price of shoes, and the rate of the tax, so that if shoes should rise nine per cent, hats and other commodities would fall one per cent, and the rise in the price of shoes in consequence of the tax, will be in the inverse ratio of the total value of shoes, to the total value of all other commodities.

The great secret, therefore, of equal taxation consists in not varying the existing proportions between commodities, and so long as these proportions are preserved, taxes will have no effect in raising the price of commodities. If this was not the case, it would be impossible for nations heavily taxed, to enter into competition in the various departments of industry, with nations moderately taxed; and yet, we see that England, where taxation is carried to the greatest excess, is able to enter into successful competition with every other nation on the globe, in every department of industry adapted to her climate and situation, and there is every reason for believing, that all the necessaries and comforts of life, are as cheap in England, as they would be, if her taxes were as moderate, as they are in the United States. Certain articles of luxury and of foreign growth, which are taxed out of proportion, are

much increased in price, in consequence of the tax, but other articles are proportionably cheaper.

It has been justly observed by Mr. Malthus, "that all the great results in political economy "respecting wealth, depend upon *proportions*, "and it is from overlooking this important truth, "that so many errors have prevailed in the pre- "diction of consequences; that nations have some- "times been enriched, when it was expected that "they would be impoverished, and impoverished, "when it was expected that they would be en- "riched, and that such contradictory opinions "have occasionally prevailed respecting the most "effective encouragements to the increase of "wealth."

When taxation becomes so excessive as to check industry, and diminish the product of labour, it will affect the price of commodities, but so long as the product is as great with, as it would be without the taxes, its price will be as low whatever may be the amount of the tax.

Mr. Ricardo says, "that a well regulated tax "on profits would ultimately restore commodities "both of home and foreign manufacture to the "same money price which they bore before the "tax was imposed." By "a well regulated tax

"on profits," I presume he means an equal tax on production, or the product of labour.

It has been justly observed by Adam Smith, that "the subjects of every state ought to contri- "bute towards the support of the government, as "nearly as possible in proportion to their respec- "tive abilities, that is, in proportion to the revenue "which they respectively enjoy under the pro- "tection of the state. The expense of govern- "ment to the individuals of a great nation, is like "the expense of the management to the joint "tenants of a great estate, who are all obliged to "contribute in proportion to their respective in- "terests in the state."*

A tax is a portion of the product of labour, or its value in money, paid into the public treasury for the purpose of defraying the expenses and charges of the government. Taxes may be divided into three classes. 1. A land tax. 2. A tax on domestic products, called an excise. 3. A tax on foreign products, called an impost.

The principal object in framing a system of revenue laws, is so to apportion the taxes as that the members of the community shall pay their just proportions, according to the amount of their property. Equality of taxation has relation,

* Wealth of Nations, book v. chap. 2.

however, to persons, and not to property. In other words, in order to render taxation equal, it is not necessary that property should be equally taxed, for taxation may be equal while there is a heavy tax on leather, and none at all on hats, or corn, or land. The rule as to equality in taxation, is also confined to citizens. As between citizens and foreigners, taxation should always be unequal, for the purpose of securing to the citizen an advantage in the home market.

Indirect is preferable to direct taxation, because the tax is then paid by the consumer voluntarily, and the government does not appear in the odious character of an exacter. Adam Smith truly says, "every tax ought to be levied "at the time, or in the manner in which it is "most likely to be convenient for the contributor "to pay it." The fewer persons the government can collect its revenue from the better, provided the tax be equal according to the above rules. If, therefore, an article in its progress to the consumer must necessarily come into few hands, the tax should be collected at that period when it is in the fewest hands. It will then have the further advantage of being indirect as to a great portion of the community.

Imposts have an undoubted preference over all other taxes. They are quite as equal in their

operation as any other tax.—They are indirect, and are, therefore, paid voluntarily.—They are levied and collected when the goods are in the hands of the fewest persons, and are, therefore, collected with the least expense, and they have the very important advantage of securing to domestic industry a preference in the home market. In other words, they are equal as they affect citizens, and unequal as between citizens and foreigners, to the amount of the difference between the imposts and an excise upon the same kind of products. If the tax was equal upon domestic and foreign products, then foreigners would stand upon an equality with citizens in the home market, while citizens probably would not stand upon an equality with foreigners in their own market.

Next to imposts a land tax, provided it is apportioned according to the quality and value of the land and improvements, is probably the most equal tax that can be laid, but in other respects it is attended with many disadvantages.—It is a direct tax, and is therefore always paid with reluctance and ill-will.—Land is in the hands of a multitude of persons, many of whom are poor, and have not the means of paying with promptness, and the tax is therefore attended with great difficulty and expense in the collection.—Its valuation

can never be accurate, and it is therefore unequal in its operation. Under the United States government it must always be unequal for another reason. It is required by the constitution to be apportioned upon the different states according to their representation in congress, and not according to the valuation of the land, and as some of the states are fully represented according to the gross amount of their population, while others are only partially represented, the tax must of course be unequal. A judiciously regulated excise, is therefore no doubt, a far preferable tax to a land tax.—It may have all the advantage of equality, and has the further advantage of being for the most part, indirect in its operation.—It may also be collected of much fewer persons, and those much better able to pay promptly, and is therefore attended with much less expense, trouble, and vexation in the collection.

Equality in taxation, it must be remembered, regards persons and not property. In other words, it is not necessary to tax every article of property, in order to make taxation equal.—If every man pays a tax in proportion to the amount of his property, it matters not whether the tax is all levied on one article or upon twenty.—It is the amount as it respects the mass of an individual's property,

and not the apportionment upon different kinds of property, which affects the individual. All a legislator therefore has to do, is to select some few articles of universal consumption, and impose the whole tax on them, and then each man will pay a portion of the tax in proportion to the amount of his property.

Suppose bread-stuff to be an absolute necessary of life, and of course an article of universal consumption. A tax is laid on bread-stuff, it matters not to what amount—it may be adequate to the whole revenue of the government. The effect of such a tax would be to raise the price of corn in proportion to the amount of the tax, in reference to all other commodities, and all other commodities would fall in price, with reference to corn. A bushel of corn would exchange for more money, more labour, more shoes, more cloth, and more every thing in consequence of the tax. Unless the demand for corn should be increased, the quantity produced would not be increased, for it would be useless to produce more than was wanted for consumption. Such a tax would have no effect whatever on the wages of labour, because wages depend on the quantity of labour, and the demand for it, or upon the division of the product of labour between those

who perform the labour, and those who own the property upon which it is performed; and as the quantity of property would be the same, and the quantity of labour, or the number of labourers the same after, as before the tax, the division of the product would be the same also, so that if labour obtained less corn, it would obtain more beef, more wool, more hats, shoes, and all other articles. In other words, that portion of the product of labour, which the government obtained in consequence of the tax on bread-stuff, would be contributed by the property owners and the labourers, according to their respective portions of the product.

The farmer who paid the tax to the government, would charge it to the labourer, the merchant, the manufacturers, and to all who bought corn of him, according to the respective proportions which they consumed. The merchant and manufacturer would have to pay the tax, not only on the corn they actually consumed themselves, but also on all the corn consumed by their families, their servants, and all those employed by them; not merely by those immediately employed, but those ever so remotely employed. Every man who consumed an article of luxury or necessity, would pay a portion of the tax in the price

of the article, and in this indirect way every man would pay his portion of the tax, according to the amount of his annual expenditure or consumption, which is ordinarily in proportion to the amount of his property. At any rate, such a tax would operate as equally as any other, for whether a tax is laid on land, or on products, it must ultimately be paid by the consumer of the product, and whether a tax of a given amount be laid on one article, or on twenty, it will be equal in its operation, provided the articles are all of like universal consumption; and it is far better to collect the whole tax from one article, than from twenty, because the number of persons from whom it is to be collected, will be fewer, and there will be less vexation and expense in the collection; and the fewer the number of articles taxed, the more indirect will be the taxation.

In taxing articles of domestic growth and production, care should be taken to select such only as are designed for home consumption, or there should be a drawback on their exportation, equal to the amount of the tax, otherwise the tax will raise their price, so as to defeat their sale in a foreign market.

Whenever an excise is laid on an article, an impost should also be laid to the same amount.

otherwise the excise will operate to the benefit of the foreign. and will discourage the domestic product. If, for example, a tax of ten per cent should be laid on leather or shoes, without laying a like tax on those articles of foreign production, it would discourage the manufacture of those articles.

An excise on a commodity which is a necessary of life, and designed solely for domestic consumption, will have no tendency to diminish the production of that commodity, provided, a like impost is laid on it; and there is this important difference in the operation of an excise and an impost. The latter encourages the domestic production of the commodity upon which it is laid, the former will have no effect whatever, either in encouraging or discouraging its domestic production, provided a like impost is laid upon it. If an excise and an impost of ten per cent should be laid on shoes, there would be just as many shoes made and worn after, as before the tax, unless a substitute should be found for shoes, which can hardly be supposed. If shoes are manufactured for exportation, the excise would diminish their production, unless there should be a drawback equal to the excise.

An excise has a great advantage over a land tax, inasmuch as it can be collected of much fewer persons. Take for example, leather, which is almost as much a necessary of life, and an article of almost as universal consumption, as butcher's meat, or bread-stuff. It would, therefore, bear a very heavy tax without diminishing materially its consumption, and without operating at all unequally upon the community. The tax on leather might all be collected of the tanners, and as there are fewer tanners than farmers, it could be collected with much less trouble and expense, than a land tax. The tanners who paid the tax, would charge it in the price of the leather, and the farmer, merchant, manufacturer, and labourer would pay the tax in the price of the leather, and in the articles made of leather, without ever knowing what portion of the price the tax constituted. An impost on leather, and all articles made of leather, would place tanners and workers in leather, upon as good a footing after as before the tax.

But, the most suitable article for an excise is, ardent spirits—and the tax should always be collected of the distiller, because there are fewer distillers than any other class of people who deal in the article, and because it must all pass through

the hands of the distiller. Such a tax may be made an ample substitute for a land tax, and may no doubt be made to supply a very large portion of the ordinary revenue of the government. It would be an indirect tax, and although not levied on an article of universal consumption, and for that reason, may operate in some measure unequally, yet it would no doubt be paid more cheerfully, than any other tax, and if an impost to an equal amount with the excise, was added to the present duties on foreign spirits, neither the grower of the raw material, nor the distiller, nor the consumer, would be injured by the tax.

Whenever an article is to be taxed, it is better to collect the tax from the manufacturer, or merchant, through whose hands it must pass, than in the hands of the farmer or consumer. If a tax was to be laid on corn, it had better be collected of the miller than the farmer.—If a tax is to be laid on carriages, it had better be collected from the carriage-maker, than from the consumer, because there are fewer millers than farmers, and fewer carriage-makers than carriage owners, and the articles to be taxed are in the fewest hands, when in the hands of these manufacturers.

As a general rule, taxation should no doubt be equal, and therefore when an excise is to be

laid, commodities of most universal consumption should be selected for the purpose, but to this rule there are many exceptions. It is often desirable to check the production of a particular commodity, as being pernicious in its consequences, and it may be proper to lay a heavy excise upon it, for that purpose. There are also many articles of luxury, from which it may be more convenient to collect an excise, than from the necessaries of life; and as those who indulge in the use of such articles are usually able to pay a tax on them without inconvenience, it may be expedient to collect a tax from them for the express purpose of exempting those articles in more common use from taxation. To an article of luxury a high price is in itself often a recommendation; for the object of those who consume such articles is often nothing but distinction, and the higher the price, the greater the distinction conferred by their use. The rich would, therefore, gladly pay a heavy duty on them, for the purpose of keeping them out of the reach of the vulgar.

But, notwithstanding these advantages, an excise is not always preferable to a land tax. An excise, like imposts, is emphatically a national tax, and cannot, in a government like ours, be

resorted to, but by the general government. The several states cannot lay an excise without great danger of discouraging the industry of the state. A land tax seems to be the only dependence of the state governments for a revenue. Unless an excise is equal throughout the nation, it will discourage industry in those parts of the country where it operates unequally. Suppose, the state of Maryland was to lay an excise of ten cents a gallon on whiskey, while the state of Pennsylvania laid no tax on it. The consequence would be, that no more whiskey would be manufactured in Maryland, and all our rye and corn would be carried to Pennsylvania for distillation. But if an excise of twenty-five cents a gallon was levied on whiskey throughout the United States, it would not probably, perceptibly check its manufacture in any part of the country. Every other state excise will operate in the same way. If any particular commodity is taxed in one state and not taxed in another, the manufacturers of that commodity, no longer stand on equal footing, and if the tax is considerable, it will break up the manufactory in the state where it is taxed.

If the state could lay an impost equal to the excise on goods imported from the other states, then the manufacturer could prosecute his busi-

ness in the state for the consumption of the state, upon equal terms with the manufacturers in the other states, and if the state that imposed the tax were to allow a drawback equal to the tax, on the exportation of the goods from the state, then the manufacturer would, notwithstanding the excise, stand upon equal footing with manufacturers of the same commodity in the other states. No state can, therefore, lay an excise on any commodity manufactured in the state, unless its object be to discourage its manufacture, and as the states are prohibited by the constitution of the United States from laying an impost, it follows that a land tax is their only permanent source of revenue, unless they have a public revenue arising from public property.

A land tax does not operate like an excise in raising the price of the products of agriculture. There may be a heavy tax on land in one state, and none in another, and the business of agriculture be as profitably carried on in the one state, as in the other. But if the tax be laid on one or more of the products of the land in one state, while no such tax is laid in the other states, the business of agriculture cannot be carried on to the same advantage in the two states. If there is a tax on wool in one state, and none in

another, it will discourage the raising of wool in the state where it is taxed, and so of corn, of beef, of leather, and of each product of the land in succession; and yet if the land itself is taxed, which Adam Smith, and most other writers, tell us is the same as taxing the produce of it, the price of the produce will not be raised.

This seeming paradox is easily explained. We have already seen that if taxation is equal upon all domestic commodities, the price of those commodities will not be raised in consequence of the tax. A land tax does operate as a perfectly equal tax upon all its products, so that a land tax and a perfectly equal tax upon all its products, would be precisely equivalent; but as soon as the tax becomes in the least degree unequal, upon the products, they are no longer equivalent, but the production of the article most heavily taxed is discouraged, and from that moment the producers of that article in the other states, have an advantage.

The operation of a land tax, like the operation of a public debt, is to transfer to the government the use, or a beneficial interest in the land, equal to the amount of the tax, and therefore depreciates the value of the land to the proprietor. But this is no detriment to the state.—It will be

just as productive as though it bore a higher price.

The tax will depreciate the value of the land to the proprietor, but it will not depreciate its value to the state. A tax on a product of the land will also depreciate its value to the proprietor, but it will not be for the benefit of the state, because it may be carried out of the state for sale and consumption, and other like commodities may be brought into the state for sale and consumption.

A tax on land must be confined in its effects to the state by which it is imposed, because the land must remain within, and belong to the state. A tax on commodities will affect those commodities throughout the market for them, which may be the whole United States, or the world. A land tax is therefore the only tax, the several states can impose with safety, with the exception of some trifling taxes, which may be imposed on occupations, which are local, or which must be carried on within the state, such as selling liquors, retailing goods, &c. but a tax on an occupation which is not necessarily confined to the state, such as that of a wholesale merchant, whose business extends to the other states, will operate in the same way as a tax on the production of any particular commodity.

CHAPTER XII.

The Influence of a Public Debt on National Wealth.

Perhaps no subject relating to political economy is involved in greater obscurity, as it respects its influence on national wealth, than that of a national debt.

As the United States, happily, are not, nor ever likely to be, oppressed with a public debt, of any inconvenient magnitude, it may perhaps be thought unnecessary for an American politician to trouble himself with an investigation of its nature and influence on public wealth. The different branches of political economy, however, reflect light on each other: and a thorough knowledge of the nature and influence of a public debt will enable us to understand other branches more clearly.

The United States have no colonies, but it is not for that reason unnecessary for an American statesman to have a thorough knowledge of the advantages of a colonial monopoly. So an American statesman should have a thorough knowledge of a national debt, although he may never have one of any considerable magnitude to manage. He will find other subjects greatly illuminated by his knowledge upon this.

Although the whole science of political economy is involved in great obscurity, yet some branches are covered with a more impenetrable veil than others. As no subject relating to the science is more imperfectly understood than that of a public debt, so there is none upon which there is a greater diversity of opinion, as to its influence on national wealth.

That public opinion should be divided upon this subject, is not to be wondered at, for it cannot be expected, that the great body of the people, should be acquainted with the science of political economy, any more than with the sciences of medicine and law. They may know something of the general principles of these, for there is not an old woman in the country, that does not know something of the healing art, nor a peasant, that does not know something of law, although

unacquainted with those principles, and definitions, which constitute them sciences. They know not the meaning of their technical terms, or terms of art, and a knowledge of political economy is no more instinctive, or innate, than a knowledge of medicine or law.

Public affairs, it is true, may be administered with tolerable ability and success, without a scientific knowledge of political economy, although there can be no certainty, what effect particular measures may have upon public wealth, without this scientific knowledge.

Before the days of Harvey, the circulation of the blood was not known, although there were many skilful and successful physicians before his day. There were no doubt many mistakes made, in consequence of ignorance of the fact of circulation, for which the physician was not censurable; but at the present day, a physician who should make a mistake from ignorance of this fact, would be inexcusable; indeed he would be unworthy the name of a physician. So a legislator may conduct public affairs with skill generally, while ignorant of some undiscovered or unknown principle in the science of political economy, although liable to make mistakes, for which he is not censurable; but when these principles

are known and settled, he will be alike inexcusable, for making any such political blunders.

There can be no doubt, but that politicians are as liable to make mistakes in consequence of ignorance of the true economy of the body politic, as physicians are in consequence of ignorance of the true economy of the natural body; and it must also be admitted, that the mistakes of the legislator, are vastly more deplorable in their effects upon human happiness, than the mistakes of the physician can possibly be. The mistakes of the legislator may affect, for ages, the happiness, and even prevent the existence of millions of human beings. The mistakes of the physician touch the life and happiness of only a few individuals at most.

What causes the difference between the numbers and happiness of the people in different countries, but the wilful or ignorant mistakes of politicians? Man is the same in all countries and climates, and liable to be operated upon by the same causes. The bounties of heaven are distributed with an equal hand throughout all the habitable parts of the globe. The difference, therefore, between the sum of human happiness enjoyed in different countries, must be caused, mainly by the ignorant or wilful mistakes of

the rulers of mankind. This ignorance is dispelled by a knowledge of the science of political economy, and so far as human happiness is concerned, it is vastly more important than any, or even all other sciences.

How then does it happen, that while such proficiency has been made in other sciences, the foundations of this are scarcely yet laid—that while the science of medicine has its established principles, definitions, technical phrases and terms of art, which always convey the same ideas to its professors, there is not to be found in the whole science of political economy, a single uncontroverted principle, or an acknowledged definition.—That philosophers are not yet agreed in their definitions of national wealth, nor in its sources or causes?

That so much less progress has been made in political economy, than in other sciences, arises in part from the different nature of the sciences, and in part from the careless manner, in which political economy has been treated, by using words without affixing to them a precise technical meaning.

The science of medicine, including anatomy and physiology, is a physical science. Political economy is a moral science. The one is a science

of sense, the other a science of reason. A moral science is not susceptible of such minute accurate investigation, as a physical science. In the one case we see and feel the subject about which we reason.—In the other the subject is not tangible—it can only be grasped by the mind.

Metaphysics and moral philosophy are moral sciences, and have been subjected to the laws of science, and political economy may be subjected to the same laws. But in order to do this, writers must use no ambiguous words.—They must use words relating to different branches of the science in their precise technical meaning, which must be understood, and always kept in mind.

This rule has never yet been observed by any writer on political economy; which frequently proceeds from carelessness in the use of words, rather than ignorance of their meaning. Adam Smith no doubt knew the precise meaning of the word, nation, but in reading his "Wealth of Na-" tions," one would be led to suppose that by the word, nation; he meant some constituent part of the nation, as its merchants or farmers. A great deal of obscurity has also been caused by his ambiguous use of the word capital.

It can hardly be supposed that any writer on political economy should not know the precise

meaning of the word *debt*, and the difference between a debt of an individual and a debt of a nation, when the creditors are citizens or constituent parts of that nation; and yet in treating of a national debt, almost every writer is in the constant habit of not discriminating between these different meanings of the word, and of using it in its wrong sense, when speaking of a national debt. The words, *merchant* and *nation*, are not more distinct than these different meanings of the word, debt.

It is true a nation may be in debt, in that sense of the word in which one merchant is in debt to another, but this is always when one nation is in debt to another nation, and not to its own citizens, or to itself.

If a man was to fancy, that one of his pockets owed the other a thousand dollars, and thence conclude that he was in debt a thousand dollars, it would not be more absurd than to conclude, that because a nation owed its own citizens, therefore, it was in debt, in the ordinary acceptation of the term. Or, it may with just as much propriety be said, that because A is in debt to B a thousand dollars, therefore, the nation is in debt a thousand dollars, as to say that because a nation owes its citizens a hundred million, therefore, it

is in debt a hundred million, in the ordinary acceptation of the term.

It is unfortunate for the science of political economy, that the word, debt, was ever used to express the idea of a nation, owing to its citizens a sum of money. Men are so prone to attach to words their ordinary meaning, that they are constantly embarrassed and perplexed by the ambiguity of the word. Hence the advantage to science of never adopting a popular word as a technical term—hence the advantage of taking terms of art from the dead languages. It prevents ambiguity and uncertainty. People who do not understand the terms do not use them. They never have a popular and a technical meaning, and their use can cause no ambiguity.

People often look with astonishment at the enormous magnitude of the debt of England, and had not the experiment been made, it would have been thought impossible for a nation to sustain the burden of a debt of a thousand millions, and regularly pay the interest on that debt, without exhausting, or even impairing the resources of the nation. But the whole difficulty of the problem proceeds from attaching the popular meaning to the terms, *national debt*. If the nation is a debtor, it is likewise a creditor to an

equal amount, and so long as the debit and credit sides of the account balance, what difference does it make whether the account be large or small? There may be some inconvenience in keeping so large an account, and in receiving and paying so much money, but the means of payment can never fail, so long as the nation receives all that it pays.

A nation may be in debt in the popular sense of the word, as where one nation owes another nation money, and in that case a national debt becomes a drain upon the national resources. But in modern times this is not the case to any great extent, and not what is ordinarily meant when we speak of a national debt. By a national debt, is meant the amount of money which a nation owes to itself, or, what is the same thing, to its own citizens. To ascertain the influence of such a debt on national wealth, is the object of the present inquiry.

That a national debt of very great magnitude, has an inauspicious influence on national wealth, there can be no doubt. I say, a debt of very great magnitude, because a national debt does not necessarily diminish public wealth.—It is only when it becomes unwieldy and inconvenient from its magnitude, that it becomes oppressive to the

nation. It is, however, a prevailing idea with those who talk of a public debt, and with many eminent writers too, that the resources of the country—the energies of the nation, are physically impaired by a national debt. Thus says Adam Smith, "had they" (the public creditors) "not advanced this capital to the government, "there would have been in the country two capi- "tals, two portions of the annual produce instead "of one, employed in maintaining productive la- "bour." And again, "when the public expense "is defrayed by funding, it is defrayed by the an- "nual destruction of some capital, which had be- "fore existed in the country—by the perversion of "some portion of the annual produce, which had "before been destined for the maintenance of "productive labour, towards that of unproductive "labour."*

But this is a total mistake—the aggregate of a nation's property or capital is just as great after as before a public debt is contracted.—The expenditure of the money by the government is not a destruction of it. The capacity of a nation for acquiring the necessaries and comforts of life, may be just as great with a debt, as large as that of England, as it would be with no debt at all.—

* Wealth of Nations, book v. chap. 3.

A public debt does not necessarily impair either the source or cause of wealth.—The industry of the nation may be just as great—its lands just as productive—its manufactures and commerce just as lucrative, and therefore, the annual product of labour just as great, notwithstanding the debt, because it does not affect either the climate or soil of the country, or the physical energies of man in cultivating it, and so long as the public creditors are all citizens, it cannot diminish the quantity of circulating medium, for it sends no money out of the country.—Its only necessary effect is, to alter the channels of circulation, and change the mode of distributing the annual product of labour to the consumer.

The money which represents the annual product of labour, will not circulate through precisely the same channels with a heavy national debt, that it would do without it. So a storm of wind may cause the waters of the ocean to circulate through different channels, and to occupy a different relative position from what they would have done, but for the storm, although the storm neither augments the whole quantity of water, nor the quantity which one part of the ocean exchanges with the other parts.

So if a national debt lessens the quantity of money in one man's pocket, it augments the quantity to an equal amount in the pocket of another, and so far as national wealth is concerned, it matters not, whether the money is in the pocket of A or in that of B.—The proportion that is in the pocket of each, may be a matter of some importance to the nation, and if a national debt has a tendency to cause a more unequal division of property, and consequently a more unequal division of the product of labour, it will for that reason, have an unfavourable influence on public wealth. But it is a matter of total indifference to the nation, whether A is rich, and B poor, or B rich, and A poor, provided the proportion is the same in both cases. All these circumstances are important to the individuals, and with those who suppose, that a privileged few, constitute the nation, they will be considered important to the nation, but with those who consider a nation as composed of every individual in it, these things, so far as national wealth is concerned, will be considered wholly unimportant.

It has been stated in a preceding chapter, and attempted to be proved, that a national debt may be augmented until the ordinary expenditure of the government, and the interest on the public

debt, which has been called its extraordinary expenditure, equals the value of the annual product of the nation's labour—that the effect of funding a public debt, is merely to separate the use of property from the possession and the legal title, and that so long as the government preserves its faith with the public creditors, its irregular or extraordinary source of revenue from loans, cannot fail (unless some revolution or convulsion takes place) until a complete separation of the use from the possession of all the nation's property, has taken place, when the ordinary revenue of the government, will equal the revenue of the nation. In theory, these principles are susceptible of demonstration, although no nation will probably ever submit to have them adopted to their fullest extent in practice.

Experience, so far as it goes, corroborates this theory. The revenue of the English government is at present equal to one-quarter, if not one-third of the annual revenue of the nation, and yet this enormous revenue is paid with the utmost facility by the nation, perhaps with as little inconvenience as the United States pay their comparatively small revenue to the state and general governments, and the English government finds as little, and perhaps less difficulty in borrowing money

now, than it did a hundred years ago, when its debt was comparatively nothing; and, although it is plain, that the debt of a nation cannot be augmented *ad libitum*, yet there are no assignable limits to its augmentation, short of those pointed out.

In our reasoning upon this subject, we must be careful to keep in mind the different parties concerned in creating a public debt. The individuals of whom the money is borrowed, are the creditors—they are also a portion of the nation.—The nation in its corporate capacity is the debtor, and all its property is bound for the payment of the debt.—The government makes the contract for the nation, and binds it to the performance by pledging its property in point of fact, though not in form, for the payment of the debt, or the interest when the debt is funded. The government acts in the capacity of an agent or broker between the parties,—it acts with more dignity and authority than ordinary agents and brokers, it is true, but nevertheless its acts in this particular, correspond with the acts of an agent or broker in making a contract for their principals. The government, however, makes the contract in its own name, but for the parties as above described.

Nominally all the people, or the nation in its corporate character, is debtor to the government, but in reality those only are debtors who have more to pay than to receive. Most of the people no doubt who possess property, own more or less of the public stock, and it depends on the proportion between their stock and their other property, whether they are in reality debtors to the government. If their proportion of stock is too small, they are debtors—if too large, they are creditors. When they are debtors, they pay more taxes than they receive dividends on the public stock—when creditors, they receive more dividends than they pay taxes, but the sum total of the receipts is exactly equal to the sum total of the payments by the people. If a man owns a hundred acres of land and pays ten pounds taxes, or interest on the public debt, and owns stock which draws him ten pounds interest, his accounts with the government balance, and he in reality is not burdened with the public debt. A man who rents a farm and pays the taxes, of course rents it so much the cheaper for the taxes—If he buys one, it costs him so much the less—If he inherits it, he will have in quantity what will make up for the deficiency in value.

Suppose a farm without the charge of the national debt would rent for two hundred pounds, but with that charge, only rents for a hundred and fifty pounds, what difference does it make to the tenant, whether he pays a hundred and fifty pounds to his landlord, and fifty to the government, or the whole two hundred to the landlord? And what difference does it make to the landlord, whether in consequence of the national debt, he has two hundred acres of land which will rent for only a hundred and fifty pounds, or without the national debt, to have a hundred and fifty acres of land which would rent for the same money. The same observations apply to every other species of taxable property.

Should it be asked, what reason there is for supposing, that in consequence of the public debt, the property-holders in England have a greater quantity of property, than they would have had, without a national debt; I answer, because it must be presumed that the population of England would have been just as great without, as with the public debt. It will hardly be contended that it would have been less, for if the population is greater with, than it would have been without the national debt, its utility to the nation, is established beyond all controversy.

If the public creditors had not vested their funds in the national debt, they would have vested them in the real and personal property of the country—they would have shared the land and other property in the kingdom, with the present proprietors, whose shares would of course have been lessened.

If then in consequence of the national debt, the public debtors, or in other words, the property-holders of the country have more to pay, than they would have had, had the debt never existed, they have also more means to pay with—they have more land, more goods, more ships, and more money. An individual property-holder, may have more money to pay, in consequence of the public debt, but the whole number of property-holders, have not. Or if an individual has more to pay, he has also more to pay with, so that it is as broad as it is long. There is just the same quantity of money to be paid, and the same quantity to be received. The tenant has the less to pay to his landlord, by as much as he pays to the government, and so of every other hirer or purchaser of property, personal as well as real. The channels of circulation may be changed, although the quantity circulated is not altered.

In short, the public debtors and public creditors stand in relation to each other, upon precisely the same ground, that private debtors and creditors stand. The circumstance of interposing the government as a broker or agent, between the parties, does not alter the real nature of the case; and there would be just as much propriety in supposing, that a nation must necessarily sink under the private debts of the people, as under a public debt, within the limits before pointed out.

If all the money that private creditors receive from their debtors in a year, was collected into one mass, it would make an enormous heap. It might, perhaps, be as great as the annual sum paid by the English nation, on their public debt; but a single dollar in the course of a year may, perhaps, pay a hundred or a thousand debts, equal to its value. The act of paying does not diminish its capacity for paying, and if it was possible to circulate it so rapidly, it might pay a debt equal to its value, every minute the year round.

The only difference between a debt which an individual owes the government, and one which he owes his neighbour, is, that in the one case, he has to pay the government the expense of collect-

ing it, while in the other, there is probably no expense attending the collection, or if there is, the creditor pays it. A national debt does not affect the quantity of money in a nation, nor has the nation any more, or less money to pay in consequence of it.

A national debt does not necessarily diminish the quantity of national industry. The people of England have just as much physical power, or if they have not, they might have, with their enormous debt, as without it. They may be just as skilful in the arts, and just as industrious in their habits; and if we were to reason from analogy, we should be led to suppose, that a national debt, had a tendency to promote, rather than discourage national industry. Such would seem to be the inference from the history of the English debt.

If a national debt was that mill-stone about a nation's neck, which it is popularly supposed to be, England would long since have been sunk in the bottom of the political ocean. But although her debt has increased to an amount which the imagination can scarcely conceive---to an amount vastly greater than all the gold and silver in the world; still it has not produced the least visible effect upon her wealth or power. Upon her pros-

perity it may have, for it is one great cause of the pauperism in that country.

The only way of ascertaining whether the sum of national industry, has been diminished, by the national debt, is by comparing England with those nations that have not been encumbered by such an enormous debt. The result of such an inquiry would seem to make in favour of, instead of against a national debt. There is certainly no nation in Europe, if in the world, whose national industry is as great as that of England. The annual product of her labour, in proportion to the number of her people, is greater than that of any other people on earth, and that the people of England do not enjoy the necessaries and comforts of life, in as great abundance, as any other people on earth, is not because they are not produced by their labour in as great abundance, but because, in consequence of some defect in their system, they are not as equally distributed as they should be. That defect consists in those unequal laws which have caused the great inequality in the division of property which exists in that country.

The superior industry of the English over other nations, may, no doubt, be accounted for from other causes, than their national debt, although there is no doubt, but that a national debt,

to a certain extent, may be useful in promoting national wealth. Should the United States create a debt annually, of a million of dollars, and expend it in building bridges, canals, and roads, it would, no doubt, be the means of promoting public wealth; and any expenditure whatever by a government which augments the quantity of national industry, will also augment national wealth.

It is a popular notion, that one generation can load another generation with debt. Thus Mr. Hume says in his Essay on Public Credit, "our "modern expedient for defraying the expense of "war, is to mortgage the public revenues, and to "trust, that posterity will pay off the incum- "brance contracted by their ancestors." But this is a mistaken notion. The present generation of men inherit the earth as free of incumbrance, as any preceding generation; and as one generation cannot accumulate the fruits of the earth for posterity, neither can it load a succeeding generation with debt. This is manifestly true in regard to the whole world, and it is also true in regard to nations, except where one nation becomes indebted to another, and binds posterity to discharge that debt. This however never was and never will be the case, to any considerable extent

It may, therefore, be laid down as a general rule, in regard to nations, that one generation can neither accumulate wealth for a succeeding generation, nor load it with debt. It may, however, make such a division of property, and leave its affairs in such a state of entanglement and perplexity, as to cause great national distress. An individual may accumulate property to such an amount, as to leave his posterity rich, but a nation can do no such thing. The annual product of labour must be consumed—there is no saving it for posterity. Every generation must labour for its own subsistence, but it cannot be compelled by any political manœuvre whatever, to supply a preceding generation with either the necessaries or comforts of life. The fruits of the earth must be produced before they can be consumed.

An individual may accumulate such an amount of property as that others will supply him and his posterity with the necessaries and comforts of life for the use of that property, but it is manifest a nation can do no such thing. All a nation can do, is to augment its capacity for acquiring the necessaries and comforts of life by labour. It may improve the cultivation of its lands, and acquire skill in the various arts—this is all that can be done for posterity.

Adam Smith says, "it is not contrary to jus-
"tice, that both Ireland and America should con-
"tribute towards the discharge of the public debt
"of Great Britain."

Had he understood the nature of a national debt, he never would have made such an assertion. Nothing could be more unjust. Such a law would be precisely analogous to one which should compel A to pay a part of B's debt. To show the injustice of such a measure, let us suppose a landholder in England has five hundred acres of land, upon which he pays ninety pounds a year of the interest on the public debt. This is the ratio throughout the kingdom. This landholder we will also suppose owns public stock upon which he receives annually ninety pounds interest. Suppose then a tax levied on the colonies to an amount sufficient to pay one-third of the interest on the public debt. What effect has that on the English landholder? It puts thirty pounds a year into his pockets, and the measure would be in principle precisely equivalent to one, which should require A in Ireland to pay thirty pounds of B's debt in England. It would increase B's fortune that amount. The case would be different, if the debt was due to a foreign nation. In that case the whole nation is in debt, and each

individual should bear his just proportion, but in the other case, it is in reality a debt from one portion of citizens to another portion, and to require third persons to pay a part of the debt, is as unjust as it would be to say, they should receive a part of the individual's.—What then are the evils of a national debt?

They are of an entirely different character from what is generally supposed. When a national debt becomes very large, like that of England, the mere transfer of so much money, annually, from one class of citizens to another, causes not only a great deal of trouble and inconvenience to the people, but a great deal of actual distress and suffering. It may cause a man much trouble to pay a large sum of money every day in the year, although he may receive an equally large sum. The money of the country circulates through an unnatural channel, and it requires a forcing pump, to keep it in motion. All the money in the country is obliged to pass through the treasury three or four times a year, in order to be distributed according to the artificial order of things, which the national debt has caused.

The national debt, or more properly the national *stock*, is an unnatural, artificial species of property, which causes an unnatural, artificial

mode of distributing the necessaries and comforts of life, to effect which, a troublesome, vexatious, and expensive machinery is necessary. This machinery consists of a host of collectors, excisemen, and the whole apparatus of the treasury department. These harrass, irritate, and oppress the people, and keep them in a constant state of excitement and disaffection towards the government. The real nature of a public debt is never rightly understood by the people.—It becomes therefore a powerful instrument in the hands of demagogues, who make it a hobby of popularity, and a theme of abuse. In short, a national debt of such an enormous magnitude as that of England, is a fruitful source of oppression, in the hands of government, in the collection of it—a subject of eternal controversy among politicians, and of heart-burnings and disaffection among the people. It is also an engine of immense power, in the hands of the government, and power may be abused. These are serious evils, and constitute unanswerable objections to a large national debt. They are not, however, the only, nor indeed the principal evils of such a debt.

A public debt has a tendency to cause a much more unequal division of property, than would otherwise take place. It creates a new species of

property, what lawyers would call an incorporeal hereditament. It is a contrivance by which the stockholder acquires an interest in all the property of the nation, without the formality of deeds, and without having an exclusive right to any part of it. The stockholder is relieved from the trouble and labour of managing any portion of the nation's property, or running any risk about the income it may yield, while his share of the product is secured to him. This contrivance enables the stockholder always to obtain interest for his money, (and that too from the landholder, who can only make rent from his land,) without any risk of losing the principal. In short, a national debt, or national stock, is a sort of savings bank to the rich, and greatly facilitates their accumulation of property, and therefore strongly tends to increase the unequal division of property.

The treasury of England may be considered the strong box of the monied men of the nation, where they are permitted, not only to deposite their savings for safe keeping, but also for investment. The government is the broker, who takes charge of the fund, and so invests it, that it shall produce a profit to the owner. The poor man has no such strong box—his weekly earnings will not be received into this great reser-

voir—they are of two small account; or in other words, he cannot invest his small earnings in public stock—the shares are too large to be purchased by him. This increases the disparity between the rich and the poor, already too great. It puts an engine into the hands of the rich, for augmenting their power, of which the poor cannot avail themselves.

A man who has invested a thousand dollars in stock, which yields six per cent interest, has acquired a power, in addition to his natural power, of compelling somebody to labour for him, to the amount of sixty dollars a year. In other words, he has acquired an artificial power of compelling somebody in the world to labour for him, until they produce a quantity of the necessaries and comforts of life, equal in value to sixty dollars; for sixty dollars is nothing but the measure or value of a certain quantity of the necessaries and comforts of life.

When, therefore, a man has acquired the power of procuring, without his own labour, a quantity of the necessaries and comforts of life, equal to sixty dollars, he has acquired a power of compelling, directly or indirectly, somebody to labour for him a sufficient time, to produce that quantity. Even the possession of a thousand dol-

lars, then, confers a great power. It may be compared to the lever in the hands of a savage. What then must be the power of this lever, when augmented a hundred or a thousand fold?—Without the facility afforded by stocks of different kinds, there would not be the same facility for increasing this artificial power, as with them.

The operation of bank stock, and the funded national debt, that is, national stock, is precisely the same, with the exception of the different modes in which the interest is collected; the different agents by whom the different funds are managed, and the permanency of the interest. It is precisely the same thing to the debtor, whether he pays sixty dollars a year interest on bank stock, or on public stock. In the one case, he pays the interest on a thousand dollars to the holder of bank stock, through the agency of the bank officers. In the other case, he pays the interest on a thousand dollars to the holder of the public stock, through the agency of the government officers. There may be this further difference:—in the case of public stock, the debtor pays the expense of collection—in the case of bank stock, the stockholder pays this expense.—The law enforces the payment in both instances, though by different processes. In the one case, if the debtor does not

pay the money when demanded, his goods will be seized, and sold by a summary proceeding. In the other, a suit must be brought, the expense of which the debtor must pay.

For the interest which the public debtor pays to the public creditors, he receives or enjoys an equivalent in property, in proportion to the amount of taxes he pays, as much as a debtor to a bank receives from the stockholders, an equivalent for his debt and for the amount of interest he pays. The tax-payer or public debtor, often thinks he receives no equivalent for the tax or interest he pays on the public debt. But in this he is mistaken—this is the source of error on this subject. In reality, the public creditor is a tenant in common with the public debtor or tax-payer, by a legal and equitable title, in all the property taxed for the payment of interest on the public debt, and the interest paid in the shape of taxes, may be considered as rent paid for the use of the public creditor's share.

Suppose the public creditors had not loaned their money to government; what would they have done with it? What use would they have put it to? It cannot be presumed they would either have thrown it away, or hoarded it. They must then have vested it in lands, manufactories,

ships, goods; or they must have loaned it to others who would have employed it in some of these ways. Suppose the money invested in land, what would have been the effect upon the present landholders? It must necessarily have lessened their quantity of land, so that a landholder, who now has five hundred acres, would have had only four hundred, or such a proportion as the national debt bears to the whole property in the kingdom. And although in that case he would have had no interest to pay on the stock of the public creditors, yet he would have had a hundred acres less land, which it is to be presumed, is equal to the interest he pays on the public debt. The same would have been the case with the merchant and manufacturer; so that, but for the public debt, they could not have purchased and held so much. In other words, the public creditors must have had their share of all the property both real and personal in the kingdom. They are therefore in reality, though not formally, tenants in common by a legal and equitable title with the public debtors in all the property on which they pay taxes; and the debtors do nothing more or less, than purchase out their interest, by an annuity, equal to the amount of interest, paid by the debtor, and to the amount of stock held by the credi-

tor. The government is the broker that transacts the business, in the first place of investing the money, often, it is true, in mad schemes of ambition, or idle ones of extravagance; and afterwards of collecting and paying over this interest, with a view to the interests of both parties.

In reality then, the man who pays a portion of the interest on the public debt, receives a consideration for it, as much, and as ample as the man who pays interest to the holder of bank stock. The one receives a loan *eo nomine* in money, the other an equivalent in property, according to the nature of the property upon which he pays taxes. The one can get rid of paying interest to the bank stockholder by returning the loan to the bank.—The other by returning the property loaned.

Suppose a man owns five hundred acres of land upon which he pays sixty dollars a year towards the interest on the public debt. He wishes to be rid of paying this sixty dollars interest. How is it to be done? Let him sell the amount of the public creditors' interest in it, which is one thousand dollars.—Let him take this thousand dollars to a public creditor, and purchase a thousand dollars worth of stock with

it. He will then be a public creditor to that amount, and if he has sixty dollars a year interest to pay, he will also have sixty dollars to receive, so that his interest account will balance. His debt, it is true, cannot be extinguished nominally, although it may be in reality.

The analogy, therefore, between national stock and bank stock, holds substantially throughout, except as to the agents by whom the two are managed, and the processes of collecting the interest; and all the evils that flow from one, may flow from the other, and except the evils arising from the different modes of collection, the evils of the one, in proportion to the magnitude of the different stocks, are probably as great in the case of bank stock, as in the case of public stock.

Bank stock has, however, an advantage to the nation over national stock, in its flexibility of interest. The interest on public stock is permanent, and cannot fluctuate with the times. Bank stock is flexible, and accommodates its dividends, or interest, to the changes of the times. Hitherto, however, this has been an advantage rather in name, than in reality, for bank stock has always, (with, perhaps, a very few exceptions,) yielded a higher interest than national stock.

Bank stocks are attended with many of the evils of a national stock; and if we are to judge from experience, we should be led to conclude, that they were as liable to abuse in their management. The people of this country have suffered vastly more from the mal-administration of bank stocks, in proportion to their magnitude, than the people of England have, from the mal-administration of the national stock of that country.

People in this country look with astonishment at the enormous increase of the national debt of England, in the last thirty years. They are deceived by appearances, and misled by names, or they would turn their astonished eyes from the increase of England's debt, and look with still greater astonishment, at the equally enormous increase of bank stock (which is but another name for a national debt,) in this country. The operation of the two kinds of debt upon the public is precisely the same. The interest paid on the two kinds of stock, which is the only thing that affects the people in either case, is derived from the same source, and is produced by the same cause. The labour of the nation produces it in both cases. In the one case the stream runs from the fountain to the reservoir direct, and the eyes of the people can

trace it from one *terminus* to the other. In the other case it takes a more circuitous course, and the people lose sight of it in its meanderings.

Suppose a man in England lives on his dividends on national stock, and another in this country lives on his dividends on bank stock, will it be pretended that these dividends arise from different sources, or are produced by different causes? Let them be traced to their origin, and see if they do not flow from the same fountain.

The national stockholder in England receives his dividends from the treasury—who put them into the treasury?—perhaps the landholder—but how came he by them? If he cultivates his own land, then he dug them out of the earth.—If he rents his land, then they were paid to him by his tenants, who dug them out of the earth by their own labour. If they were paid into the treasury by the brewers in England, under the name of excise; then the brewer obtained them from the farmer, the merchant, the mechanic, the manufacturer, and from his customers, one and all, to whom he sells beer. These dividends the farmer digs out of the earth, the blacksmith hammers them out of his anvil, the weaver conjures them out of his loom, the merchant subtracts them from his balance of trade, the sailor mounts

to masthead in the midnight storm, and gathers them from the winds and the lightning, and in this way the stockholder's dividends in England are produced, collected, and paid over. The whole is produced by the labourers of the country.

The bank stockholder also receives dividends on his stock, even to a greater amount than the national stockholder. Where does he get them? Out of the vaults of the bank. But how came they in the vaults of the bank? They were put there by the money borrowers—by those who have obtained discounts. Here there is a winding in the rivulet, and people lose sight of it. They take the borrower to be the source from which it flows. But let the question be answered, where does the money borrower get the interest which he pays to the bank?

The borrower at bank is probably a merchant, and the loan serves him as a capital, which enables him to carry on the business of exchanging one commodity for another. His first operation, we will suppose, is to purchase a thousand barrels of flour, and a hundred hogsheads of tobacco, which he ships to a foreign market. He sells his flour and tobacco, and invests the proceeds in foreign goods, which he imports and

sells to the farmer, the mechanic, the manufacturer, the sailor, in precisely the same manner that the brewer sells his beer to the same classes of people. After this is done, he strikes his balance, and finds that he has made gain enough to pay the interest on the loan, and leave him a profit. Not only the interest, but the profit, is paid to him by the persons to whom he sells his goods, and this interest is derived from precisely the same source, primarily, that the brewer in England derived the excise, which paid the interest on the national stock; and this source is precisely that which has furnished every cent of interest that ever was or ever will be paid on either national or bank stock; and the cause which produces it is precisely the same. The source is that great fountain, the earth—the cause is the labour of man.

The principal evils of a national debt consist in the trouble and vexation, which the collection of such an enormous amount of taxes, cause, and in its tendency to produce an unnatural inequality in the division of property. This tendency proceeds in a great measure from the difference between rent and interest, the government borrowing money at the ordinary rate of interest, and obliging the nation to pay that interest from

rent, and the ordinary rate of profits, which are much lower than interest, for the reasons heretofore stated. The necessary consequence of such a system is gradually to transfer to the public creditors the use or beneficial interest in all the property of the nation, and must ultimately cause a national bankruptcy.

The question has been much discussed among the politicians of England, whether their national stock can be redeemed, or in other words, whether the national debt can be paid off; and what the effect of paying it off, would be upon national wealth and prosperity. For the accomplishment of this object various expedients have been proposed. It is not my intention to examine these various expedients, or compare their respective merits. My knowledge of the subject is not sufficiently minute to justify the undertaking, nor is the subject itself of sufficient importance to an American politician to require it. It may however be well to state some few general principles respecting it.

Upon this subject it is always to be recollected that the public creditors are tenants in common, in fact, if not in form, with the public debtors, or property-holders, in all their taxable property. That the title of the one, both in law and equity,

is as valid. as the title of the other, and that any law which should operate to extinguish the title of the public creditors, without a fair compensation, would be equally unjust with a law which should extinguish the title of the public debtors to their property, and turn them out of possession. The nation has a right to redeem the stock according to the terms of the contract with the public creditors, but no right whatever to take the property of the creditors and give it to the debtors, any more than to take the property of the debtors and give it to the creditors.

Some politicians have supposed, that if the national debt was *spunged*, as the phrase is, it would relieve the nation from its present distresses. They reason about as wisely as a surgeon would, who seeing a patient afflicted with *the stone*, should propose to relieve him by amputating a leg. A principal evil of the national debt of England, arises from the unequal division of property which it causes, and spunging the debt would have the effect of aggravating the evil tenfold. By extinguishing the title of the public creditors in the property of the public debtors, it would in effect transfer to the latter all the property of the former. It would not give a foot of land to the poor, nor put a cent of money in their

pockets, nor would it raise the price of labour, but on the contrary lower it; for it would not increase the demand for labour.—There would be no more work required after the debt was spunged, than before, and indeed, not as much, for the consumption would not be as great.—The public creditors whose means had been thus violently taken from them, would not have wherewithal to pay for so great a quantity of the comforts, and perhaps, could not even supply themselves with the necessaries of life. That part of the community whose property had been so suddenly increased, in consequence of spunging the debt, would not as suddenly increase their consumption of the necessaries and comforts of life. The consequence would be, that as the consumption of the country would be greatly diminished, the demands for labour would be diminished in the same proportion; and not only this, but the quantity of labour, that is, the number of those who must live by their labour, must also be increased. There would be a *surplus of production above consumption*, or an *accumulation of superfluous labour*, and in the opinion of those who maintain that either of these constitute national wealth, spunging the debt, would, perhaps, promote national wealth. But if national wealth consists in every

able bodied man, being able to procure for himself and family, at least the necessaries of life, by his labour, spunging the debt would be an act of desperate madness, and instead of lessening, would aggravate the distress of the nation tenfold.

As then a national debt is a public evil, and as the evil cannot be cured, by the violent act of spunging, the next inquiry is, whether it can be redeemed.

One who has witnessed the operation and effects of winding up the concerns of a little, contemptible, broken bank, may form some idea of the operation and effects of redeeming the public stock of England, or of paying off the public debt. It usually takes several years to wind up the concerns, and pay off the stockholders of a bank of a few hundred thousand dollars, and it could not be done even so soon, but for the facilities afforded to the debtors of the bank, to transfer their debts to other banks. The effect also of paying off the stockholders, is in a great measure neutralized, by the facility they have of re-investing their money in other bank stock. Still, these small things enable us to form more distinct and accurate ideas of large ones, as an artificial globe enables us to form more accurate ideas of the globe we inhabit.

There is, however, this difference in the two cases, in favour of national stock. The debtors to a bank, owe usually much greater in amount, in proportion to their means of paying, than the debtors to the nation; and the difficulty of paying, depends not upon the number of debtors, or the amount of the stock, but upon the means of the debtor for paying. On the part of the debtors, therefore, there might be less difficulty in redeeming the national stock, than the debtors of a bank, would find in paying off the stockholders.

The difficulty of redeeming a national debt, does not, as is generally supposed, lie with the public debtors, or property holders, for it would not, probably, take more than twenty-five or thirty per cent of all the property in England, to pay the public debt; in other words, the interest of the public creditors, in the property of England, does not probably amount to more than a third or fourth of the value of the property. The debtors, therefore, in paying off the public debt, would not have more than a third or a fourth of their property to redeem, and it would seem, that a whole people might do that in fifty years, at most. It would seem, that every property holder in the kingdom, might at least pay one per cent. of his debt a year. besides paying the interest on

that debt. But if the public debt does not amount to more than a fourth of all the property in the kingdom, the property holders, in order to pay off the debt in fifty years, would only have to pay one half per cent of their debt a year, besides paying the interest on that debt. A general contribution then, of all the property holders of one per cent a year, on all their property, besides paying the interest, would, at farthest, pay off the national debt of England in fifty years. If the property holders then see fit, there seems to be no difficulty in paying off that debt within a moderate period, without much inconvenience to themselves.

But the most severe operation of paying off the national debt, would be on the public creditors. To compel them to sell their full amount of property, (for property they have, although they do not hold it by any of the common law titles, assurances, or conveyances,) and to receive their pay in money, at a price fixed half a century ago, which, at the time payment is made, is perhaps but a nominal price, may be upon them a very great hardship. The very effect of paying off the debt, would be, for a time, to lower the value of money, and raise the price of land and other property. Those creditors who had been

paid in money, must vest it in something, and they could vest it in nothing but property. The demand for property would therefore be increased, and of course, would rise in value. The creditor would be compelled to sell his property at a fixed price, which cannot vary, and be obliged to re-invest his money in property, which has no fixed price, but which is constantly augmenting in value, in proportion to the demand.

The legal title of all the property in the country, is in the public debtors—the public creditors have a sort of incorporeal hereditament, or legal entity in that property, which the very act of paying off the public debt, extinguishes. The very effect then, of paying off any portion of that debt, is to relieve the property of the kingdom from a charge equal to the amount of the debt paid off, and to put the public creditors in possession of such a quantity of money, as there has been, of the debt, paid. This must immediately be invested in some kind of property, in order to procure to the owner a revenue—he must either loan it, or he must invest it in property. If he loans, the borrower must invest it in property.

The demand for property is therefore increased, but the quantity in market remains the same.

The consequence must be a rise in value. Money being the standard, or weight, by which the value of property is ascertained, it follows, that whenever property rises, the value or weight of money must sink. Property, therefore, which the public debtor has for sale, is raised in value, and money, which the public creditor is put in possession of, by the act of paying off the public debt, is sunk in value, by the very same operation; and this rise of the one, and fall of the other, is greater or less, in proportion to the rapidity with which the public stock is redeemed.

If paid off gradually, so as to give time for the money which the creditor is put in possession of, to be prudently invested before another quantity comes into market, something like an equilibrium may be preserved between the present value of money and property.

It is, therefore, the interest of the property holders, or public debtors, to pay off the debt as fast as possible. It is for their interest to lay an income tax, and every other species of tax, which shall cause the public debt to be paid off, with the greatest possible rapidity. It is for the interest of the stockholders, or public creditors, not to have the debt paid off at all; or if paid off, to have it paid off as gradually as possible. Pub-

lic stock is the most convenient property they can own, although not so for the nation.

The misfortune is, that the public creditors understand their interest much better than the public debtors or property holders, and they have besides, more influence with the government. When the property holders come to understand their interests as well as the public creditors, they will be the advocates for heavier taxes, for the purpose of paying off the public debt.*

* The following observations of Mr. Malthus so nearly coincide with my own views of this subject, that I hope the intelligent reader will excuse me for quoting them. "I am far from "being insensible to the evils of a great national debt. Though "in many respects, it may be a useful instrument of distribu- "tion, it must be allowed to be a very cumbersome and very "dangerous instrument. In the first place, the revenue neces- "sary to pay the interest of such a debt, can be raised only by "taxation, and as this taxation, if pushed to any considerable "extent, can hardly fail of interfering with the powers of pro- "duction, there is always danger of impairing one element of "wealth, while we are improving another A second impor- "tant objection to a large national debt, is the feeling which "prevails so very generally among all those not immediately "concerned in it, and consequently among the great mass of "the population, that they would be immediately and greatly "relieved by its extinction, and whether this impression be well "founded or not, it cannot exist without rendering such reve- "nue in some measure insecure, and exposing a country to the "risk of a great convulsion of property. A third objection to "such a debt is, that it greatly aggravates the evils arising

"from changes in the value of money. When the currency "falls in value, the annuitants, as owners of fixed incomes are "most unjustly deprived of their proper share of the national "produce; when the currency rises in value, the pressure of "the taxation necessary to pay the interest of the debt may "become suddenly so heavy, as greatly to distress the produc- "tive classes, and this kind of sudden pressure must very "much enhance the insecurity of property vested in public "funds."

As to spunging the debt, Mr. Malthus says, "it is generally "thought that all would be well, if we could but be relieved "from the burden of our debt. And yet I am perfectly con- "vinced, that if a spunge could be applied to it to-morrow, "and we could put out of our consideration the poverty and "misery of the public creditors, by supposing them to be sup- "ported comfortably in some other country, the rest of the "society, as a nation, would be impoverished. It is the great- "est mistake to suppose that the landlords and capitalists "would either at once, or in a short time, be prepared for so "great an additional consumption as such a change would "require."

Prin. Pol. Econ. p. 374, 375.

CHAPTER XIII.

The Influence of Slavery on National Wealth.

It has been made a question among the learned, whether most good or evil has resulted to mankind, from the discovery of America. That the munificent gift of a new world, should have given rise to such a question, is of itself a melancholy proof of human depravity.

Although there may be no serious difficulty in deciding this question, yet, when we consider what oceans of blood have been shed—how many human beings have been butchered—how many nations of brave, high minded men have been exterminated; and when we add to this the mass of human suffering which has been already caused by negro slavery, the philanthropist is almost ready to drop the tear of regret, and exclaim, alas, that America was ever discovered!

The most ardent philanthropy, and the most splendid talents, have, during the last thirty years, been employed in portraying the horrors of slavery; but only one side of the subject has yet been examined. Those who have hitherto directed their attention to it, have been principally employed in bringing to light the enormities of the slave trade—its pernicious influence on the people of Africa—the barbarities of those abandoned wretches, employed in the horrid traffic, and the deplorable state of bondage to which the slaves and their posterity are doomed.

It is but a few years since men, who called themselves christians, had the audacity to defend the slave trade, not only in the British parliament, but in an American congress; and the annals of our country contain a record of the disgraceful fact, that two American republics refused to come into the Federal Union, unless they could have the privilege of carrying on the slave trade for twenty years. But in that twenty years, such a revolution has taken place in public opinion on this subject, that the man who should now justify the slave trade, would be looked upon as a monster of human depravity—a mass of moral pollution, the very sight of whom would almost contaminate.

The influence of slavery upon national wealth and power—upon those who have been guilty of this abominable transgression of the laws of nature, and upon their posterity to the thousandth generation, yet remains to be examined.

This branch of the subject belongs to the department of the political economist; and although the influence of slavery on national wealth, is a matter of cold calculation, and not suited to the vivid descriptions of eloquence, or of powerful appeals to the sensibilities of the heart; yet its pernicious influence in this respect, constitutes an evil in the estimation of the political philosopher, of even greater magnitude than the mere sufferings of the slaves themselves.

The man who believes in God's moral government of this world, and that he has established certain immutable laws of justice, which he does not permit to be violated with impunity, can easily discern his avenging arm, in visiting upon the oppressor the manifold evils resulting from slavery; and it behooves a christian people to use all diligence in purifying itself from this abomination.

The man who believes in God's moral government of the world, will readily perceive the marks of his hot displeasure against slavery, in

the diminished population which it causes—in the comparative unproductiveness of the earth, in consequence of imperfect cultivation—in the idle, dissipated habits, and consequent moral degradation, which always characterises a portion of the inhabitants of a slave state. In short, the footsteps of an angry God, are plainly visible throughout a state where slavery abounds.

I am aware, that the present generation are by no means, answerable for all the evils of slavery. The whole iniquity is by no means, chargeable to us—the curse was brought upon our country without our agency. We shall, therefore, be answerable so far only, as we neglect those means in our power, of mitigating the evil; or adopt measures calculated to augment or perpetuate it. If, instead of adopting measures to remedy the evil, in whole or in part, we adopt measures calculated to augment it, we certainly shall not stand guiltless at the bar of justice.

Slavery is generally admitted to be a great political, as well as moral evil, although there is a much greater diversity of opinion upon this subject than is generally supposed. The current of popular opinion is against slavery, which causes those who are in favour of it, to be more cautious in publicly avowing their sentiments. It is

also in such direct hostility to the genius of our government—so repugnant to the first principles of all our political institutions, that those who are in favour of it, find themselves not a little embarrassed by these heterogeneous principles, and they are greatly perplexed with the difficulty of reconciling their conduct in regard to slavery, with their professions respecting the rights of man.

From this dilemma there is but one way of escape, and that is by admitting slavery to be a political evil, but at the same time maintaining that it is an inevitable evil, for which there is no remedy.

This reasoning is much of a piece with that of a man who should undertake to justify robbery and murder, upon the ground of the depravity of his nature, and his natural propensity to commit those offences. Slavery is not more inevitable than the depraved nature of man, nor is the existence of the evil a justification for not endeavouring to remedy it, any more than the existence of a depraved nature in man, is a justification for not controlling and reforming his wicked propensities. It may not be possible to effect a radical cure in either case, but this is no

excuse for not making the attempt, and doing what we can.

As I am thoroughly persuaded that slavery may be eradicated from every state in the union, without jeopardizing the peace and tranquility of the states; and as I am also thoroughly persuaded that the best interests of the states require this to be done, I shall take the liberty of stating very concisely some of my notions on this subject.

The subject having of late been so thoroughly discussed in this country, it may, perhaps be thought unnecessary to renew the discussion, as it can scarcely be expected, that any new light can be thrown upon it. I am aware of the disadvantage under which I labour in treating of a hackneyed, worn out subject, and shall, for that reason, be as concise as possible; but the influence of slavery on national wealth, is very great, and an American treatise on political economy would be very imperfect, which should omit so important a subject. The science of political economy consists of various distinct branches, but they have, nevertheless, a connexion with each other, and should be treated in conjunction.

The influence of slavery on national wealth, is to be considered mainly with a view to its

influence on population. The increase of population is a necessary consequence of national wealth and prosperity, at least in all new countries that are not fully populated; which is the case with all parts of this country. Showing the influence of slavery on population, therefore, will show its influence on national wealth and prosperity.

By referring to the censuses that have been taken, it will be found by any one who will take the trouble to make the calculation, that the white population increases about twice as fast in the free states, or in those states in which there are few or no slaves, as in the slave states.

It will also be found, that the gross population, black and white, increases much slower in the slave, than in the free states.*

The white population in the states east of Maryland, including Delaware, Pennsylvania, New-Jersey, New-York, and the New-England states, increased somewhat more than twice as fast, from 1790 to 1810, as the same population did in Maryland, Virginia, the Carolinas, and Georgia.

No inferences can be drawn from the increase of population in the new states, settled since

* See Appendix B.

1790, as the population is made up in a great measure of emigrants.

The difference of increase of the white population in the old Atlantic states, cannot be attributed to any other cause than that of slavery. The emigration from them has not been great enough to cause one half the difference; and besides the emigration has probably been greater from the free, than from the slave states.

If there be any difference in the natural advantages of the respective states, it is in favour of the southern. Their territory is the most extensive and least crowded with population.—Their soil the most fertile, and its products the most valuable.

As slavery then has such a pernicious influence on the increase of population, its influence on national industry and wealth must be equally pernicious, for it is an acknowledged truth, that a population will increase in proportion as the means of subsistence increase.

Had there never been a slave in the southern states, there can be no doubt but what their population, at this day, would have been much more numerous than it is, including the slaves. The country would have been in a much higher state of cultivation, and, instead of being covered with

the miserable huts of slaves, would have been covered with the neat and comfortable dwellings of a free, brave, and hardy yeomanry.

What man that delights in the happiness of his fellow-creatures, can behold the waste and ruin of that happiness caused by slavery, without regretting that it should ever have been permitted to pollute our soil? And who is there that loves his country, that would not be willing to make almost any sacrifice to eradicate it?

The reasons why a white population does not increase so fast in a slave, as in a free state, are apparent to the most superficial observer. There is less industry in proportion to the number of people in a slave, than in a free state; and as the product of labour depends on the quantity of industry, it follows, that the means of subsistence must be less abundant. A large portion of the white population are dependent on their labour for the means of subsistence, but in consequence of slavery, there is less demand for their labour—they are not so abundantly supplied with the necessaries of life as in those states, where there are no slaves, and therefore, they do not increase so fast.

In all countries, labour is reputable, or otherwise, according to the character of the persons we

usually see employed in it. The character of the agent stamps the character of the action. There is ignominy attached to those occupations, in which we usually see slaves employed.—No white man, therefore, will labour in those occupations, if he can avoid it.

This is forcibly illustrated by the different estimation in which labourers are held in the eastern and southern states. In the former, manual labour is no reproach to any man, however elevated his rank. In the latter, the labour of the hands, at least in those occupations in which we usually see slaves employed, contaminates the blood to such a degree, that it will require one or two generations to purify it. The evils of slavery always fall most heavily on the lower classes of society, who are also the most numerous.

It is truly a melancholy spectacle to look through the different slave states, and see to what a deplorable state of degradation the lowest class of white population is reduced, in consequence of slavery. Most of the menial offices are filled by slaves, and if a white man or woman has the misfortune to possess no property, and are under the necessity of going into service, and supporting themselves by their industry, they are immediately reduced to the level of the slaves.—They

are considered an inferior order of beings. The wretchedness to which such a state of things, reduces the class of poor females, who are under the necessity of supporting themselves by their industry, can more easily be imagined than described.

But the influence of slavery in restraining the increase of population, is by no means the most alarming evil attending it. It will be found by the censuses above referred to, that the slaves increase faster than the white population in a slave state.

This is a most alarming fact to those who feel any interest in the future prospects of our country. Should this continue to be the case, (and there is no reason to suppose it will not, if the present policy in regard to slavery is pursued,) it must at no distant day, terminate in insurrections and servile wars, shocking even in imagination.

Whenever the slaves shall come to have the physical power to throw off their chains, it cannot be expected, that they will quietly remain in bondage. Whenever this shall come to be the case, the whites will have no security, even for their lives, but in the strong arm of military power.

At the present rate of increase of the two species of population, the black will be more numerous than the white, at no distant day.* In Maryland and North Carolina, the black population increases more than twice as fast as the white, and in Virginia, more than one-third faster. All the evils, therefore, to be apprehended from an excess of black, or slave population over the white, must sooner or later be realized in these states, unless something is done to prevent it.

What a shocking picture of futurity for our country, does this single fact present to the reflecting mind? Does it become a legislator calmly to witness the approach of such a state of things, without making an effort to avert it? Instead of devising ways and means to arrest the progress

* The following is a table of the rate of increase of the two species of population, in the five Atlantic slave states, from 1790 to 1810.

	White.	*Black.*
	per cent.	
Maryland, - - - -	13	31
Virginia, - - - -	24	38
North Carolina, - - -	30	70
South Carolina, - - -	64	84
Georgia, - - - -	275	267

In the above estimate, the whole black population, free and slave, is included. Where manumission is constantly going on, as is the case in some of the states, it is impossible to ascertain the actual rate of increase of the slave population.

of the evil, does it become him to adopt and persevere in measures, calculated to hasten its approach?

That slaves should multiply faster than free whites, is what one would naturally expect, without having any positive and certain knowledge on the subject. Slaves, like all other human beings, increase in proportion as the means of subsistence are abundant. They usually belong to men of wealth, who have the means of supplying them with the necessaries of life. The slaves themselves are under no natural or moral restraint—they are at no trouble in providing food for either themselves or children. If they perform their daily task, it is all that is required of them. So long as they are valuable, it is the interest of their master to furnish them with as much food as is necessary to keep them in health and strength.—It is also for the interest of the master, that they should multiply as fast as possible; for they are raised as an article of profit and traffic, the same as cattle and horses, and they increase almost as fast. It is not, therefore, surprising, that they increase faster than the whites.

Although these are not a tenth part of the evils of slavery, yet these are enough to satisfy any reasonable man, that it ought to be abolished

as soon as it can be done, consistently with the peace and tranquillity of the states.

It is generally admitted, at least in argument, that it would have been much better for the country, if there had never been a slave in it, and that it would even now be a desirable thing, if the country could get rid of the slaves altogether, but there is a great variety of opinion, as to the manner in which this is to be accomplished, if accomplished at all.

It is at least a very common, if not a prevailing opinion, among the southern people, that the evil of slavery is utterly incurable, and that, therefore, the cords of slavery, instead of being relaxed, should be drawn tighter, as a security against insurrection.

Upon this principle, some of the states have passed laws prohibiting manumissions, and all of them endeavour to fetter and restrain manumission as much as possible. This is the prevailing policy of the country, and not only characterises the state legislatures, but also their courts of justice. The most rigid rules are adopted against the rights of those who are claimed to be slaves. Every presumption is against them—and it requires as much formality to set a slave free, as it does to convey a title to land. In short, the

whole policy of the states, in regard to slaves, seems to be founded upon the principle that the best interests of the states require, that the bonds of slavery should be drawn as tight as possible. Hence, some of the states have passed laws, prohibiting the education of slaves, or their instruction in the principles of the christian religion. All such measures, are calculated to aggravate, instead of mitigating the evil. Such a policy will increase the malignancy of the disease.

It has been proposed to colonize the black population of our country, and in that way to eradicate slavery. This scheme at one time was very popular, and many anticipated its complete success. A very little reflection, however, will satisfy any man, that the scheme is utterly hopeless, so far as it proposes to rid our country of the black population, or abolish slavery.

Colonies may no doubt be planted in Africa, or in other parts of the world; but no man acquainted with colonial history, or who has any knowledge of the difficulties of planting colonies, or of the slowness of their growth, will have the remotest expectation, that any perceptible impression can be made upon the black population in this country by colonization.

A colony can never be considered as firmly planted, until a race of men have grown out of the soil—who know no other country, and whose affections and attachments are all centered in the colony. The allegory of Cadmus sowing the dragon's teeth in the plain, and their producing armed men, was intended as an illustration of the difficulty of planting colonies, and the manner in which they take root, and flourish. The emigrants to a colony must be planted in the earth, and from their bones must spring up a race of men, armed too they must be, before the colony can be considered as firmly established. To do this, will require, with the most paternal attention and encouragement from the mother country, at least a half, if not a whole century. Such has been the case with all the colonies, planted in America—such has been the history of every colony, ancient or modern. And to suppose that a million and a half of people, whose numbers are most rapidly increasing, can be transplanted and colonized in this manner, is chimerical to the last degree.

The present annual increase of our black population, is at least forty, and probably as much as forty-five thousand, as any man may be satisfied of, by making a calculation from the censuses.

The black population, from 1790 to 1810 increased about three and a half per cent a year. It is to be recollected also, that population increases like compound interest. The increase is annually added to the principal, and augments its power of increase in proportion. By the time a colony, or colonies could be firmly established, the increase of our black population would probably be more than a hundred thousand a year.

If then the bonds of slavery are not to be loosened, till loosened by colonization, we may take it for granted, they never will be loosened. We may take another thing for granted also.—If the gordian knot of slavery is not untied within a century from this day, it will be *cut*.

A much more feasible plan of getting rid of a proportion of our black population is, by encouraging their emigration to St. Domingo, and the other West India islands. The day is not far distant, when all these islands will be under the dominion of the African race, and the more of our blacks we can get into those islands, the better for our country, on more accounts than one.

In 1805, there were two hundred and eighty thousand slaves in the island of Jamaica, and only twenty-eight thousand whites. In 1819, the

slaves had increased to three hundred and twenty-six thousand, nine hundred and fifty-eight.*

To suppose that these people are to remain in bondage for ever, is altogether unnatural and repugnant to the lessons of experience. It is wholly impossible to prevent the progress of knowledge among them, and as soon as they become instructed in the principles of the christian religion, and in the natural rights of man, they will be sure to throw off the yoke of bondage. All attempts to keep them in ignorance and slavery, will be as ineffectual as the attempts of the popish hierarchy were, to stifle the germinating seeds of the reformation.

Let the government of St. Domingo get a little more stability and consistency—let them become firmly rooted in the hearts of the people—let their power be extended over the whole island, and let the people become habituated to think and act for themselves—let knowledge overspread the island, and we shall soon see the influence they will have on the rest of the islands. Let England also be curtailed in her power on the ocean, or let her become involved in war with some of the European powers, or with America.

* See the governor's statement to the colonial legislature, in December, 1819 The increase of the whites is not given

and we shall see revolutions in the West Indies, as well as in Europe.

Those who live to see the close of this century, will see Jamaica, Cuba, and the greater part, if not all the West India islands, under the dominion of the African race; and the greater portion of our blacks we can get among them, the better for our country.

If the different state governments would set in earnest, about encouraging the emigration of our free blacks to St. Domingo, or give a bounty to those owners of slaves who would send them to that island, a very considerable diminution might be made in that species of population, in the course of ten years.—The chiefs of the governments in that island, are favourable to such emigration, and would, no doubt, enter into some arrangements with our government, for the purpose of facilitating emigration.

It will not, however, be possible, even in this way, to get rid of the whole of our black population. The African race is effectually planted in this country, and will remain here until the last day. The only way in which the country can be entirely cleared of them, is by a general massacre—a measure not very likely to be resorted to. They are here, and have as much right to

remain here as the whites. We have no more right, because the blacks are an evil, to take violent measures against them, than the people of England have, to adopt violent measures towards the paupers of that country, because they are an evil.

As the blacks are then always to remain among us, it only remains to manage them in such a way as to render them least injurious to national wealth and prosperity. The great object should be to increase, by all lawful means, as much as possible, the disproportion between the blacks and the whites. We have no right to adopt any unjust measure for this purpose; but if, by doing justice to the slaves, we can restrain their increase, and at the same time, promote the increase of the whites, sound policy requires this to be done.

By reference to the censuses, it will be found that a slave population increases by procreation, much faster than a free black population. By doing justice, therefore, to the slaves, in manumiting them, their rapid increase will be greatly restrained. This presents an easy, a natural, and a just method, by which the evil of an overwhelming black population may, to a very great extent, be prevented. This is a much more effectual

method of lessening the comparative numbers of our black population, than colonization or emigration.

The difference of the increase of the slave and free black population, according to the most accurate estimates that can be had, is at least one per cent a year, if not more. One per cent a year, on a million and a half of people, is fifteen thousand. It will be a long time before a colony will become sufficiently strong to receive fifteen thousand emigrants a year.

The increase of population, it must also be recollected, is a compound increase; so that a measure, which should now lessen the increase of a million and a half of people, fifteen thousand a year, would lessen it a much greater number, in the course of ten years.

There is, also, this important difference between an emigration of fifteen thousand a year, and a diminished increase of that number. In the former case, the power of the fountain, that sends forth the bitter waters, is not in the least degree abated, but would be rather invigorated, by the exertions of nature, to supply the vacuum occasioned by the emigration. In the latter case, the power of the fountain is weakened—its force is impaired, and in some measure paralyzed. As

there is no vacuum made, there is no call upon nature to supply it. The difference in the effect of these two causes, would be surprising in the course of twenty years.

It will be found, from the censuses, that the white population in the free states, increases more than twice as fast as the free black population. The main object of all measures upon this subject, is to increase the disparity between the white and black population. A measure that restrains the increase of the black population, increases this disparity, not merely by its restraint on the black, for it, in reality, accelerates the increase of the white population.

This very great difference between the increase of a white, and a free black population, is by no means extraordinary or surprising, when the real condition of the two classes of people is considered. The blacks do not stand upon an equal footing with the whites, in any respect whatever. They are more degraded, and not having the same encouragement and motives for exertion, they are not so industrious and provident. They do not marry so generally, or raise so many children. It certainly is not to be expected, that the lazy, improvident, and worthless part of society, will raise so many children, or

multiply so fast as the industrious and prudent part.

That free blacks do not multiply so fast as the slaves, is no objection to their being set free. It is but an act of justice to set them free; and if the welfare of the state is to be promoted by it, there can be no objection to the measure, upon the ground that they are not so well off when free, as when slaves. One man has no right to exercise authority over the personal liberty of another, with a view to promote his interest, nor can one class of men be required to be the conservators of another. The man who is at liberty to work and provide for himself, but from laziness will not, must take the consequences of his folly. If slaves were unwilling to receive their freedom, there might possibly be some ground to object to the justice of forcing them to accept of it. This is not, however, the case.

The subject of slavery always presents a choice of evils. Slavery is itself a very great evil, and that a proposed remedy is attended with evils, is not of course, a valid objection to its being adopted. We must balance the evils of slavery against the evils of the proposed remedy, and choose the lightest.

Manumission presents a simple, natural, and practical mode of remedying the evil of slavery; and although it does not present a mode of getting rid of the black population entirely, yet it presents a mode by which the number will be more effectually prevented from increasing, than any other that has ever yet been proposed. It is also more consonant to the principles of justice and humanity, than any other that has ever been suggested.

Let all the states, therefore, instead of tightening the bonds of slavery, encourage manumission. Let our influential men follow the example set by Washington, (whose example, on all subjects, is worthy of being followed,) of manumitting their slaves, and in the course of the present century, the evil may be, in a great measure, if not entirely cured.

The advocates of slavery reason much in the same manner respecting slavery, that the English property-holders do respecting pauperism. The property-holders in England, (if the publications of that country express the opinion of this class of people on that subject,) take it for granted, that their right of property is absolute and unconditional; and that they are, therefore, under no obligation to share the revenue arising from their

property, with the paupers of the country—that whatever they pay towards the support of those who have no property, is gratuitous on their part, and ought to be, at all events, voluntary. Hence, the almost universal clamour, which has of late years been raised in that country, against the compulsory assessments for the support of the poor. The fundamental principle of their doctrine is, however, erroneous. The property-holders have not an absolute, unconditional right to their property—their right is subordinate to that of the nation; and whatever portion national interests require, should be appropriated to the support of the poor, they have no more right to withhold, than they have to take possession of their neighbour's field. It is the law alone that gives the richest nobleman in England a better right to his property than the meanest beggar in the kingdom; and the extent of his right is to be ascertained by the strict letter of the law.

If then the law gives them an exclusive right to the whole surface of the earth, upon condition, that they support the poor out of it, let them not complain of the condition, provided they accept of the grant. The law does not require them to support the poor without labour, provided, they are able to labour; but the laws of justice, as well

as the laws of the land, require the rich either to furnish the poor with labour, or support them without labour. If they are not willing to accept of the grant upon this condition, let them relinquish it altogether, and it will not be required of them to perform the condition.

The rich and powerful have established a system, which has thrown all the property in the kingdom into the hands of a few, the necessary consequence of which, is an immense number of paupers in the kingdom, and they now complain of this effect, and throw the blame on the paupers. If a man were to plant his field with trees, and then complain of the corn for not growing under them, it would not be more unreasonable.

So the advocates of slavery take it for granted, that they have an absolute, unconditional indefeasible right, to what they call their property in their slaves. But in this they are also mistaken. The interest and right of the individual slaveholder is subordinate to that of the public, and whenever the public interests require it, he is bound to set his slave free. This he is bound to do independent of any moral obligation, which the laws of nature and eternal justice impose in consequence of the natural right of all men to freedom. This is the condition upon which the

slave holder, as well as the land owner enjoys his right of property. But for the positive laws of the state, no man could have a right or interest in the bones and sinews of his fellow-man. Whenever those laws are changed, these rights of property will also be changed, and they should be changed, whenever the public good requires it. Private inconvenience and hardship, admitting emancipation to be so, must be endured for the public good. The law has given the master an interest and right to his slaves, as long as it is compatible with the good of the public, and no longer. The extent of the right in this case, as in the case of the property holders in England, and every where else, is to be ascertained by the strict letter of the law.

That iniquitous system of slavery which gives to slave owners an interest in the flesh and blood of their fellow-creatures, has placed a noose about the necks of the slave states, which threatens, and is indeed actually inflicting strangulation upon a large portion of the white inhabitants, and the only way of getting out of the noose, is by forcing the slave owners to let go their hold upon their slaves, and set them free. This, some of them will not willingly do, because they prefer their own private interests to the welfare of the

public. They say, they have a right in their slaves, which the public has no right to take from them

This doctrine, however, is utterly indefensible—quite as much so, as that which proposes starvation, as a cure for pauperism in England. The laws of the states never gave to masters a right to their slaves to the detriment of the public, and whenever the public interest requires that right to be relinquished, they have no right to object.

There is, however, no occasion to adopt any compulsory methods to effect manumission, in the southern states.—All that is wanted from the government in the different states, is permission to manumit. There are people enough who would set their slaves free, provided, the law allowed it. It is much better that manumission should be gradual than rapid in its progress. All sudden changes in the domestic relations are injurious. Let the policy of the government favour manumission, and let courts of justice instead of setting their faces against the freedom of the blacks, favour and encourage it, and manumission will go on fast enough.

Slavery is an unnatural state of existence, and there is a strong tendency in all the principles of

nature, whenever they have been violated, or forced out of their natural order, to regain their primitive station and efficacy. The *vis medicatrix naturæ* is not less efficacious in morals than in physics. But as physicians by their injudicious interference often kill the natural body, when the medicinal powers of nature, if left to themselves would have restored it to health, so politicians by their injudicious interference often keep the body politic labouring under a disease for centuries, which the moral sense of mankind if left to itself, would speedily have cured. This is most emphatically the case in regard to slavery in the states south of Maryland.

The moral sense of the people, if left to itself, would soon cure the evil of slavery, but the legislatures interfere and prevent it, under the pretext, that the evil of manumission, is greater than the evil of slavery. In this respect their conduct very much resembles that of a man who having the small pox *virus* in his system, takes medicines to prevent its eruptions upon his skin, and thereby drives it to his vitals.

It may be a great evil for a man to have his body covered with the small pox, but it is a much greater evil, to have it driven from the surface of his body to his vitals: So it may be an evil to

have a parcel of manumitted slaves among us, but it is a much greater, to have the *virus* of slavery incorporated into the system, and driven to the vitals of the body politic, by preventing its eruptions in the form of manumitted slaves.

It is supposed by some, that the intensity of the disease of slavery in the present slave states, may be mitigated by diffusing the slaves over the new states, that may hereafter be formed; and by spreading them as much as possible over the present states.

Diffusion is about as effectual a remedy for slavery as it would be for the small pox, or the plague.

If all the states would encourage and promote manumission, then the more extensively the blacks were diffused, the better for the nation; but if they are to be retained in slavery, and if the present policy of tightening the bonds of slavery is to be pursued by the different states, then the more they are diffused, the worse for the nation, because the more they are diffused the faster they will increase. This has been proved by actual experiment, in numerous instances.

It is well known, that all the western states, including Georgia, have been almost entirely peopled with slaves from Maryland, Virginia, and

the Carolinas, and this has been mostly done in thirty years; and yet in these latter states, the slaves have increased more rapidly than the white population. The evil of slavery has increased, instead of being diminished in the old states, while the mischief has been extended with all its horrors to the new states. *Diffusion*, therefore, has had no good effect in mitigating the evil of slavery in the old states, for it cannot be supposed, that if all the slaves had been confined to them, the slave population of those states would at this day have equalled the present whole slave population of the old and new states. It is as true of slaves, as of cattle, horses, or any other article of merchandise, that the greater the demand for them—the more extensive the market, the faster they will increase.

It must be recollected also, that a free black, does not multiply so fast, as a white population, and that a slave population, multiplies faster than a white one in a slave state. Of necessity, therefore, all the evils of an excessive slave population must sooner or later be felt wherever slavery prevails. Were our slave population to be spread over the whole continent, still if they were to be retained in slavery in perpetuity, and should continue to increase by procreation faster than the

whites, which we have no reason to suppose would not be the case; in the course of time slaves would be more numerous than the whites, in every part of the country. If the whites were to the slaves as ten to one, still if the slaves increased the fastest by procreation, they would to a mathematical certainty out-number the whites in the course of time.

Population increases like compound interest, with this difference only, that in proportion as population becomes dense, its ratio of increase diminishes. This rate of diminution, however, has not yet been ascertained; and it presents a very curious question in political arithmetic, and worthy the attention of the political philosopher. But this difference between the increase of compound interest and population, does not prevent the consequences from being the same in both cases, although it will remove the result somewhat farther down the stream of futurity, in the case of population.

If A has a thousand dollars, which he puts out at six per cent compound interest, and B has a hundred dollars, which he puts out at seven per cent compound interest, it is very certain, that B's hundred dollars will, in the course of time, and that not very distant, become greater than

A's thousand; so, upon the same principle, a hundred slaves, that increase at the rate of three per cent per annum, will, in a few years, become a much greater number than a thousand whites, that increase only at the rate of two per cent per annum. It will be impossible to ascertain precisely, how soon the slaves will out-number the whites, until we know in what proportion the increase of population is restrained by its density; but as density operates as a restraint upon the increase of the whites, as well as slaves, we are certain that the population, which increases in the greatest ratio, will ultimately be the most numerous, let the disparity at any particular period be what it may.

The only effect, therefore, of diffusing the present number of slaves, is at best to put a little farther off the day of tribulation and wrath; and in proportion as it is removed from us, in regard to time, in the same proportion will it be augmented in quantity.—If the evil is removed three generations into futurity, it will be augmented three-fold in quantity. By procrastinating the day of manumission, we increase the difficulty of manumitting. By drawing tighter the bonds of slavery, we increase the difficulty of unloosing them. By smothering the volcano for the present,

we only increase its power, and prepare it to burst upon the heads of posterity with redoubled fury.

There certainly would have been much less difficulty in eradicating slavery from our country forty years ago, than there is now. If all the states, at the close of the revolution, had set in earnest about remedying the evil of slavery, instead of adopting measures calculated to increase it, the great work, at this day, might very nearly have been accomplished. If all the states had then authorised and encouraged manumission, the number of slaves at this day, would not only have been greatly less than they are now, but the number of our black population would also have been greatly less; and if, from this day forward, all the states were to adopt the policy of manumission, and should encourage it by all the means in their power, in forty years from this day, not only the number of slaves in the United States, would be greatly diminished, if not entirely extirpated; but the gross amount of the black population would be much less than it will be, if the present policy is pursued; and this effect would be produced without restraining the increase of the gross amount of the population; for, in proportion as the increase of the black

population was restrained, the increase of the white population would be promoted; and it certainly is not to be made a question, either in a political or moral point of view, whether a white or a black population is the most valuable, and most deserving the attention and patronage of the government; more especially, when so important a result is to be accomplished, by an act of justice, and by permitting the people to follow the moral dictates of nature, in manumitting their slaves.

To accomplish this object, there is no occasion for a forcible manumission by law.—All that is required, is a general permission in all the states for masters to manumit their slaves, whenever they see fit.—Such a law would promote manumission fast enough for the present. It would also cause manumission to be gradual, so, that no great and sudden changes would be produced in society.—This would open a vein to let out the polluted blood of slavery from the body politic, silently, constantly, and gradually, without causing any sudden shock to the system.—The manumitted slaves would gradually acquire the industrious and provident habits of freemen, and become good citizens; or, if idle and worthless. they would dwindle away and become extinct. After

a large portion of this poisonous blood had thus escaped, its final extinction might be forced by a law, such as has been passed in most of the eastern states, limiting a period, after which, all the children that were born, should be free at a certain age. The practicability of this plan, has been proved by actual experiment, in many of the states, and no evil consequences whatever have resulted from it.

When we consider how much pains is taken to persuade the people, that it is a sin to manumit their slaves—that those who manumit, not only do an injury to their slaves, but to their country also.—When the apostles of slavery preach its *divine* origin, and have the audacity not only to quote the Pentateuch, but the pure and holy doctrines of our Saviour and his apostles, as authorities in favour of slavery, which is sometimes done, it is not surprising that manumission does not go on faster in those states where it is permitted. But let this subject be rightly understood—let the people know and feel that they are benefitting their country, posterity, and doing an act of justice to the slaves themselves, by manumitting them, and the work will go on fast enough, as soon as the laws shall permit it.

What a horrible thing it is, that men should be compelled, by law, daily to do an act which their consciences tell them, is in violation of the laws of God! yet such is the case in all those states, where the laws forbid a master to manumit his slaves. Whence does a legislature derive its right to compel a citizen to hold his fellow man in bondage? or to accept of an inheritance of slaves cast upon him by the operation of law?

CHAPTER XIV.

Conclusion.

Whether I have succeeded in cracking the shell of political economy, is for the public to determine. I have put forth my utmost strength, for that purpose, and if I have failed, it is a consolation to know, that men whose pretensions were much greater than mine, have failed also. It would be the heighth of presumption to suppose, that the view I have taken of the subject will meet the approbation, or receive the sanction of politicians generally. Long received opinions are not so easily overthrown. Prejudices and prepossessions are not to be suddenly rooted up, more especially by a man whose name is not yet known in the republic of letters.

By many, it will, no doubt, be thought presumptuous folly in me, to attempt to suggest a

new theory of political economy, or to elucidate a subject which has baffled the efforts of the greatest minds in almost every age and country.

But whatever may be the opinion of the public of this performance—whether it shall be left to sink into oblivion; or whether the principles I have attempted to establish, shall be thought worthy of examination—whether they shall be adopted or rejected by those who have, or think they have a right to direct public opinion, on this and on all other subjects, there is one thing I am resolved on—not "to encounter the pain of dis-"appointment." Although I claim and shall exercise the right of thinking for myself on this, as well as on all other subjects, and shall always confide in the convictions of my own understanding, rather than rely on the authority of any man; yet I am far from supposing, that I am capable of convincing others. Although mankind are for the most part reasonable beings, yet I have no expectation that my reasoning powers are adequate to carry conviction over the ramparts of ignorance, passion, prejudice, and authority. I expect to find "old Adam too strong for "young Melancthon." I know also that I am as liable as others to take imperfect and erroneous

views of subjects, and that I may have done so in the present case.

Although I may not have succeeded in suggesting the true theory of political economy, yet I am fully persuaded that no one else has. The work yet remains to be done. The field for successful competition is yet open, and he who shall succeed in laying the true foundations of this sublime and noble science, will entitle himself to the benedictions of mankind.

Whenever the true foundations of this science shall be laid, they will be laid in America. As our country has had the high honour of laying the true foundations of civil government, it must also have the honour of laying the true foundations of political economy. The two are essentially connected, and a thorough knowledge of the one, affords great facilities for acquiring a thorough knowledge of the other.

It cannot be expected that Europeans with all the existing abuses in their governments, which they have been in the habit of seeing and contemplating, until they appear, if not natural and right, at least so to a very great degree, should escape having their minds perverted by such an unnatural state of things. It is not possible that men, thus educated, should have as clear percep-

tions of political economy, as those who have been accustomed to perceive the natural and simple operation of political measures; and who have been from their earliest infancy in the habit of contemplating the natural equality of men.

Americans certainly possess much greater advantages for studying the science of political economy. than Europeans; and if we were not to make greater progress, it could only be attributed, either to intellectual inferiority, or want of application.

Whatever the Edinburgh and Quarterly Reviews may say about the intellectual inferiority of one nation to another, let them inhabit which side of the Atlantic, or what part of the globe they may, no man of sense and a liberal mind, will ever demean himself so much as to enter seriously into the discussion of such a question. Man is the same in all countries and climates, provided those circumstances which may be denominated moral causes, which are independent of climate and soil, are the same. He was made to inhabit all parts of the world, and it would be a reflection upon the wisdom and justice of his Creator, to suppose that he had made intellectual inferiority the condition of his inhabiting any particular part of the globe. Climate may have

some influence on the constitutional temperament, but none on the intellectual powers.

When I say that Americans possess greater advantages for studying the science of political economy than Europeans, I do not mean that they possess any natural superiority, either mental or physical over the English, Scotch, Dutch, French or Spanish nations The advantages which we possess are altogether accidental, and arise out of the nature of our government and institutions.

That Americans enjoy a better government, and more equal laws—that the natural equality of man is better preserved here, than in Europe, is rather a matter of accident and good fortune, than of our own creating, and is therefore, rather a cause of thankfulness than boasting.

I do not by this mean to intimate, that the patriots who designed and atchieved our revolution, and established our present form of government, are not worthy of all praise, but that Europeans have not done the same thing, is rather owing to the circumstances in which they have been placed, than to any inferiority of capacity, or virtue. The evils which exist in the European governments, are evils which grew up with civilization, and are so incorporated with each sys-

tem that they cannot be separated without destroying the whole fabric.

If a young man was to build a house upon an improved plan of architecture, and then revile his father's castle, because its halls and parlours were not equally convenient with his, he would not be more unreasonable than it is for us to revile the English government, because it is not built after so perfect a model as ours. As it might not be worth while to incur the expense, trouble, and risk of pulling down the old mansion, in order to build a new one upon an improved plan, so it may not be worth while to pull down an old government, for the purpose of re-modelling it upon a more improved plan. It may be even more convenient for a family, to live in an old fashioned building, to which they are accustomed, than in one of an improved model to which they are not accustomed. So it may be more convenient, and the people may be happier to continue to live under an old government, to which they are accustomed, than under one of a new and improved model.

I am, however, far from supposing, that the abuses of governments should not be remedied.—Let all be remedied, that are susceptible of remedy without pulling down the fabric. There would be no difficulty in remedying many of the

evils and abuses that exist in the English government.—The public debt might be paid.—The laws of entail and primogeniture might be abolished; and if necessary to procure a more equal division of property, the law of devises might be abolished, and such other measures adopted, as should prevent some individuals from enjoying such enormous revenues to the disherison of one half of the nation. This would have a tendency to cure the disease of pauperism, and many other evils under which the nation at present groans. These are the causes of national distress, which neither annual parliaments, universal suffrage, nor a destruction of the rotten boroughs, can of themselves remedy.

When we contrast the happy situation of our country with that of any other on earth, that must indeed be a cold heart, that does not swell with gratitude to God for the innumerable blessings we enjoy over all other people; and when we look over our country, and see the many great and deplorable evils and abuses that exist in it; he must have but a small share of *amor patriæ*, who does not burn with a spirit of reformation.

Our country presents the fairest theatre on earth for the acquisition of knowledge in the sciences of government and political economy.

Here experiments may be made with safety.—Here we can see the operation of the principles of nature in their utmost purity, and here is to be kept alive, that spirit of liberty and equality, which is yet to be diffused throughout the world, and is to warm and animate all the nations of the earth.

APPENDIX.

A.—Page 4.

WRITERS on Political Economy have not usually considered the CRIMINAL CODE, as coming within the scope of their works, although it is certainly a most interesting branch of the science.

A philosophical treatise on criminal law, is a work which the public very much wants, but such a treatise, no one, but an accomplished and a practical jurisprudent is capable of writing. Such a treatise was neither compatible with the brevity of this work, nor did it come within the scope of my abilities, and I have not, therefore, presumed to treat of the criminal code, in the body of the work.

The answer, however, to the following CIRCULAR, has been thought by persons, whose judgments are to be relied on in such matters, to possess some merit, and I have, therefore thought proper, to attach it to the work in the form of an Appendix.

CIRCULAR.

SIR,

The undersigned, having been appointed a committee, in the city of New-York, to prepare a GENERAL REPORT on the results and tendency of the PENITENTIARY SYSTEM, feel a sincere anxiety to proceed under circumstances the best calculated to give a clear and satisfactory termination to their investigations. They consider the duty confided to their fidelity and research, as one eminently interesting to the deepest interests of society. The subject of their inquiry is identified with the penal jurisprudence of the nation; and the final legislative decision that must be pronounced upon it, will determine, for generations, the spirit of mildness or severity, that is to mark the administration of criminal justice.

It is not to be concealed, that there is much diversity of opinion, in different sections of the United States, as to the soundness of the penitentiary system:—by penitentiary system, we refer to those laws which consign convicts to confinement and labour—the construction and internal regulations of our state prisons—and the designed reform and penitence of the criminals, there confined. While a great portion of the intelligent and well-informed feel confident that this system can be so improved and regulated as to answer the original designs of the institution; others advance the doctrine, that it is founded on principles that are false and erroneous; and that a more rigid

treatment of the perpetrators of crimes must be embraced. Some defend the expediency of resorting to capital punishments, to transportation, or the chain, for the correction of many crimes which now constitute the higher degrees of felony.

In this state of doubt and conflict in the public mind, it is to be ardently hoped, that we may investigate and reflect, and arrive to a correct standard of conviction. We know of no better method to pursue, than to collect facts and solicit aid and light from some of the distinguished men of the nation. In appealing to their superior intelligence, judgment and reflection, we feel sensible of taking no ordinary liberty; but the interests which we are labouring to promote, are public interests—equally pertaining and equally important, to all classes and sections of the great American community.

We therefore, sir, respectfully address the following inquiries to you, with an assurance, that whether you answer all or any of them, we shall appreciate your kindness with sentiments of gratitude.

I. What has been the effect of the penitentiary system, in the United States, to suppress crimes, as compared with that of the laws which existed in relation to public offences, prior to the adoption of this system?

II. Has the penitentiary system failed to answer the ends of its institution;—and, if so, to what is the failure to be attributed?

III. Is it politic and necessary to abandon the

penitentiary system; or, is it better to attempt its improvement?

IV. If the penitentiary system is to be abandoned, to what shall we resort as a substitute?

V. Would it better promote the ends of justice, and contribute to public security, to adopt capital punishments; to any greater extent than the present laws embrace?

VI. Would it be politic and practicable to transport criminals; or, would it be consistent with the nature of our institutions, and prevent crimes, and reform convicts, to doom them to the chain?

The feeling and anxiety which are excited in England, and in other parts of Europe, at the present moment, on the efficacy or inefficacy of the penitentiary system; the pressing letters continually received by us, for the fruits of the experience and observation of this country;—and the stress which is laid on the successful adoption of a mild criminal code in the United States, by many of the first characters of the old world—form an additional inducement for us to treat the subject of this letter with uncommon attention, and to solicit your opinion.

When our Report is published, we shall do ourselves the pleasure to transmit a copy to you.

CADWALLADER D. COLDEN,
P. A. JAY,
JAMES MILNOR,
THOMAS EDDY,
CH. G. HAINES.
} *Committee.*

Daniel Raymond, Esq.

Baltimore, January 13, 1821.

GENTLEMEN,

I had the honour to receive, a few days since, a circular from you, informing me, that you "had been "appointed a committee to prepare a General Re- "port on the results and tendency of the penitentiary "system," and requesting, from me, an answer to certain inquiries contained in your circular.

I duly appreciate the honour you have conferred upon me, and only regret my inability to assist you in your labours upon this interesting and important subject. But, although my observations can be of very little service to you, still, as they have been requested, I shall not decline giving them.

As I have never investigated the subject with a view to form a regular treatise upon it, my observations will, I fear, be crude; but as I am addressing gentlemen who are in no danger of being improperly influenced by my immmature reflections; and who will, at the same time, duly appreciate my motives, and make every allowance for my want of experience and opportunity, I shall freely give you the result of my reflections upon the different points proposed for consideration, knowing that you cannot expect me to throw much light upon a subject, which has baffled the efforts of the most powerful minds.

I will here premise, that I have only that general knowledge of the penitentiary system which is to be

derived from our statute books—from occasionally attending courts of criminal jurisdiction, and the general accounts of the system, sometimes given in our public journals. It will not, therefore, be in my power, to give you any minute detail of facts, and, as my experience does not extend to a period anterior to the establishment of the system, I cannot speak of its advantages, in comparison with the system of punishment which prevailed prior to its establishment.

As to the second inquiry, I would observe, that the *ends*, or object of the penitentiary system of punishment, I understand to be, the prevention of crimes, and the reformation of criminals. One, or both of these, is the object of every penal code. Besides these, there was, perhaps, a desire to ameliorate the severity of the existing laws, and to lessen the expense of the state; but these objects must always be subordinate to the main objects of prevention and reformation, and therefore, can never be pursued in derogation of the main objects. There can, I believe, be little doubt but that the penitentiary system has utterly failed, both to prevent crimes and to reform criminals. Of this, every penitentiary in the country affords lamentable proof.

To what, then, is this failure to be attributed? This is a much more difficult question to answer; and in order to answer it satisfactorily, it will be necessary to investigate some of the principles of human nature; the motives of human action;—and the nature and

effect of different punishments upon different characters.

Men are rational beings, and their universal pursuit is happiness. This may be laid down as a universal principle, equally applicable to every class of mankind. Men have different capacities and different ideas of what will contribute to their happiness; but it is as true of the petty felon, as of the commander of an army, or the ruler of an empire, that he never chooses, what in his estimation is a lesser, in preference to a greater good. Different men will act differently in the same circumstances, from their different notions of what will contribute to their happiness, but none of them ever act deliberately, upon the principle of choosing what, in their estimation, is a lesser, in preference to a greater good. The martyr who is burnt at the stake, considers the utmost extremity of corporal feeling, a lesser evil, than a dereliction of principle; and the petty felon who robs a hen-roost, is governed by that universal principle of choosing what, according to his notions and feelings, is the greater, instead of the lesser good.

This principle is entirely distinct from, and perfectly consistent with man's moral obligation, and his accountability for crimes; for although the pursuit of happiness is universal, yet the motives which actuate different men in the pursuit of it, are as different as the moral characters of men, and as widely diversified as those sublime principles and feelings, which govern the conduct of the martyr, and those base ones which

actuate the pick-pocket and the swindler; and it is upon the motives of men in the pursuit of happiness, that penal laws are designed to operate.

It is notorious that men never commit crimes, when they know those are watching, who will detect, apprehend, and punish them. This single fact shows, that by a perfect system of government, men may be prevented from committing crimes against society, and it also shows, that this perfect system consists in the certainty of detection and punishment.

I assume it then, as a general principle, that men would not violate the law, if they knew to a certainty that immediate detection and punishment would follow. To this general principle, I admit there are some exceptions. A man in a violent gust of anger, may commit homicide, although he may be certain that his own life will be the immediate forfeiture; and there may be other passions, equally violent and uncontrolable; but these are exceptions to the general rule, and should not therefore be made the basis of a code of penal laws.

If, then, certainty of detection and punishment is a sure prevention of crimes, this principle should be made the basis of a penal code, and the great object should be to carry this principle to the greatest possible degree of perfection; and in proportion as it approximates to perfection in this respect, in the same proportion will it restrain the commission of crimes.—There must not only be certainty of detection, but certainty of punishment also, which, under the pre-

sent system, is far from being the case with a large portion of those whom the law professes to punish.

In affixing a penalty to different crimes, regard should be had to the characters of the different classes of society, who are likely to be most affected by them; and to the different kinds of punishment which may be inflicted with the fairest prospect of producing the desired effect. One great defect of the present penitentiary system, consists in the indiscriminate application of the same punishment to all classes of persons, which, from the great diversity of character, causes, in reality, very great inequality in the punishment. That which is the severest punishment to one man, may be none at all to another, and that which we call punishment, is often, in point of fact either none at all, or very trifling; and this is, in reality, the case with a large proportion of the tenants of our penitentiaries.

Our penitentiaries are, in fact, instead of being places of punishment, mere workshops and schools of vice, where those who long inhabit them, not only lose all sense of moral obligation, and all those habits, without which, no man can be supposed capable of procuring an honest livelihood, but also, where they become adepts in every species of vice and crime. A penitentiary will never answer the objects of its establishment, until it is made a place of real punishment to those who are sentenced to confinement in it, and it is but a mockery of justice, to shut up those criminals in penitentiaries, to whom they have no ter-

rors, and who, in reality, enjoy as much happiness while undergoing this pretended punishment, as they are accustomed to enjoy when at large in the world. In my opinion, there is nothing in which the penitentiary system is more defective, than in the injudicious application of punishment. I am aware that the laws must be equal, and apply to all classes of society, and that no discretionary power can be lodged with the court, or with any other tribunal to apply different punishments, according to the different characters of the delinquents. All persons, who shall be guilty of the same crimes, must be subjected to the same punishment; still this will not prevent a much more appropriate and judicious application of punishment, than is at present inflicted.

Certain crimes generally prevail among certain classes of society, and the punishment of those crimes may be made applicable to those particular classes of people, among whom, the crimes are most prevalent, and who will be most sensibly affected by the punishment.

The great object of punishment, although not the ostensible one, is to deter others from committing similar offences. Different classes of society are to be operated upon, and deterred from violating the law, by those kinds of punishments, which they most dread; and although it is to be hoped, that there is a large portion of every community, whose sense of religious and moral duty, is sufficiently strong to prevent them from violating any known law, even though

there should be no penalty or disgrace attached to the violation; and for whom, therefore, the terrors of a penal code are entirely unnecessary; yet, unfortunately, there is a very large class in every community, with whom this is not the case. This class, it is to be feared, is much more numerous than charity would lead us to suppose; and is to be found in every rank and grade in life. A large portion, however, who have not a sufficient sense of moral duty to restrain them from the commission of crimes against society, have, nevertheless, sufficient regard to character, to restrain them, independently of the fear of actual punishment. To this class, disgrace is a severer punishment than the actual suffering from confinement in a penitentiary. There is no doubt many a man who has not moral principle enough to restrain him from the commission of crimes, who would sooner suffer five years confinement in a penitentiary, provided it could be endured in perfect secrecy, than have his name published in a newspaper, as having been guilty of the crime for which he was to suffer. Men of this description are seldom guilty of the more mean and petty offences—they seldom pilfer and steal.

There are grades of crimes as well as grades of men, and one grade of men will not ordinarily be guilty of those crimes most common among a grade of people whom they consider beneath them. This regard to character, should be fostered, and made a medium of punishment, by the government; and a

very effectual method of punishing men in the higher grades of society, is by making their crimes as public as possible. The lowest class of society is almost entirely insensible to disgrace, and to them a penitentiary is no farther a terror, than as it inflicts actual suffering. To people of this description, confinement in our penitentiaries is, in fact, little or no punishment, and these are the people who commit the greatest number of crimes, if not crimes the most aggravated in their nature; and it is by persons of this description, that our penitentiaries are mostly tenanted.

There is no method of punishing people who are insensible to the loss of character, but by the infliction of corporal suffering. Those who propose to punish them by confinement in a penitentiary, evince great ignorance of human nature. They enjoy, during their confinement, all the necessaries of life, and ordinarily as great, or even a greater share of the comforts also, than they have been accustomed to, and probably even a greater share, than they would be capable of procuring for themselves, if at liberty; and it is a notorious fact, that many of them would as soon be in the penitentiary as out of it; and it is by no means an unusual thing for those who have been discharged from a penitentiary, to commit a crime for the express purpose of being sent there again. It is but a mockery of justice to pretend to punish such people by confinement in a penitentiary.

Our penal codes and penitentiary systems throughout, exhibit the most lamentable disregard to all the principles of human nature; so much so, that a man thoroughly acquainted with those principles, would scarcely be able to infer from an examination of a penitentiary, that it was designed for the punishment of criminals; certain it is, he never would suspect that it was designed as a place of penitence and reformation. A legislator is but ill qualified for his responsible office, who is ignorant of the principles of man's nature, and he most faithlessly discharges the duties of that office, when, in forming a penal code, he disregards those principles.

The human mind possesses wonderful elasticity and facility in accommodating itself to existing circumstances. If this was not the case, we should be much more wretched beings than we are. The walls of a penitentiary do not change human nature, and a man will as soon accommodate himself to the deprivation of liberty, as to any other misfortune or calamity. How soon do the most sensitive of our species recover from the calamitous dispensations of Divine Providence, as well as from the ordinary misfortunes of life! We daily see persons suffering the most poignant and inconsolable affliction, for some sudden and irreparable calamity; but the mind soon accommodates itself to this new state of things, and we see them in a few days, or a short time, recover their wonted cheerfulness and gaiety.

The same principle applies to, and governs the subjects of legal punishment; and a person, who, on being sentenced to a penitentiary, may endure the most excrutiating mental suffering; in the course of a very short period, becomes accustomed to this new condition—the mind recovers its wonted tone, and the penitentiary is, in reality, no longer a place of punishment; and I very little doubt, but that the convicts of a penitentiary enjoy, ordinarily, as great a share of happiness, after having been there long enough for the mind to accommodate itself to this new state of things, as they were accustomed to enjoy, when at large; so that the object of the penitentiary, so far as it regards punishment, is almost entirely defeated by its injudicious regulation and management, and in other respects, as will presently be shown, much worse than defeated.

A penitentiary system has a two-fold object—punishment and reformation.—The former object is entirely defeated, whenever confinement ceases, from whatever cause, to be a punishment; so that, if a man is sentenced to the penitentiary for ten years, and after remaining there three months, becomes so accustomed to it, as to enjoy an ordinary share of happiness, confinement for the remaining nine years and nine months, is, in reality, without any effect whatever in accomplishing this object, and a mere mockery of punishment.

Experience also proves, that this confinement is wholly ineffectual in reforming the convict. What

we call a penitentiary, is, in fact, a *misnomer*, and our work-houses, thus denominated, ought never to have received such an appellation. Experience has abundantly proved, that penitence is never the result of confinement in our penitentiaries, and I maintain, that according to the known laws of the human mind, it is impossible that they should work penitence and reformation, or, at any rate, that this cannot be their tendency; and if they ever have this effect, it is not their natural effect, but merely an exception to the general rule. I do not say that our penitentiaries cannot be so improved as to be, in reality, what they purport to be: but if they are ever so improved, it will be done by adapting them to our nature, and by causing them to operate on the human mind in a different manner from what they now do. At present, they are mere work-houses, and according to my notions, a work-house and a penitentiary, are altogether incompatible. The two are founded upon distinct principles, which are in opposition to each other; or at any rate, so far in opposition, that they never can be reconciled, or made to unite.

Let us examine a little into some of the laws of the human mind, as we see them daily exhibited in the world, and let it be recollected, that these laws are not changed by confinement within the walls of a prison. Suppose a man is suffering under some mental dejection and oppression, I care not from what cause, whether it be some dispensation of providence, or worldly loss; what remedy would any discreet man

propose, as most likely to relieve him? Employment, exclaims every man, as soon as the question is proposed. If you can get such a man into a work-shop, I care not how, and busily employed for twelve hours in a day, at I care not what, in ninety nine cases in a hundred, a complete cure will be effected, and the patients be made as happy as from the constitution of their minds, they are capable of being. Mental suffering then, and laborious employment, are, if not entirely, at least to a very great extent, incompatible, and irreconcilable, and yet, all our penitentiary systems, are predicated upon the compatibility of these two principles of human nature. The system proposes, as a principal object, mental suffering, penitence, and reformation, and attempts to accomplish this object by compelling the criminal to go immediately to hard labour, the best and most effectual method of preventing mental suffering, penitence, and reformation.

Our lawgivers seem to suppose, that labour is, in itself, a punishment; as if they were ignorant that labour is the common lot of man by the express sentence of God himself. I cannot, myself, well imagine a greater absurdity, than to think to punish a man by compelling him to labour.

The reason why a penitentiary, upon the present plan, defeats its very object, is not less obvious, than the fact of its producing this effect. The human mind is not capable of attending to two things at the same time. Employment, in any mechanic or ma-

nual occupation whatever, engrosses the whole attention, and of course, drives away all other reflections; and a man employed in making a pair of shoes in a penitentiary, very soon forgets that he is in a penitentiary, and ordinarily, is no doubt quite as happy as he would be any where else in the same employment. When his day's work is done, he is fatigued, it is true, but this is not an evil or a punishment, and even if it was, he is not more fatigued than the same labour would have made him any where else, nor more so than nine-tenths of the community, who have committed no offence, and probably not more so than it would have been necessary for him to be, had he committed no offence. In consequence of his fatigue, he eats heartily and sleeps soundly, the two greatest comforts and blessings an uneducated man can hope to enjoy, in this world of labour and toil.

One principal object of the penitentiary system then, is defeated by the very means adopted for its accomplishment, and the only punishment a criminal suffers for his offence against society, is the disgrace of being in the penitentiary, (which he probably does not value a straw,) and the restraint upon his liberty, which, in a very short time he becomes accustomed to, and totally disregards. Such we know to be the case, in point of fact, from observation; and such I say we had reason to suppose would be the case. This is, however, rather a defect than an evil in the present system; but there are positive evils, vastly more important than all these mere defects.

Man we know is a creature of habit. He has been called *a bundle of habits.* These habits are easily formed at all periods of his life, and when formed, they are not easily changed. The only difficulty in forming a habit, is the pre-existence of a habit inconsistent with the habit wished to be formed. We know, also, that the strongest minds can with difficulty withstand the shock of sudden changes, and it has often been said that the human mind is much more liable to be disconcerted and thrown from its proper equipoise, by sudden good, than by sudden bad fortune. A long habit of restraint, disqualifies a man to act without the restraint. A man has been confined in a penitentiary five or ten years.—His will has, during that period, been in subjection to the will of another.—And he has, necessarily formed habits suited to a penitentiary, and entirely unsuited to the world, or to personal liberty, and these habits, as may well be supposed, have become strongly rooted. All at once, his restraints are thrown off.—He is set at liberty, and turned into the world to provide for himself. Instead of being subject to the will of another, as he has long been accustomed to be, he is left to his own will, to which he is not accustomed. Is it rational to expect a man to preserve a proper equilibrium of mind under such a shock? Can it be expected that a man, under such circumstances, however good his intentions may be, can go steadily to work and provide for himself? It matters not that he has lived in the world before, and once knew how to provide for

himself by his own industry. Since then, his mind has accommodated itself to a different state of things;—he has formed new habits inconsistent with his present condition, and forgotten how to be free; and yet he is required to be free, and to conduct himself with the prudence and discretion of a free man.—Is it not far more rational to expect, that such a man will immediately return to the paths of vice, and again become the tenant of a penitentiary? Under such a state of things, is it surprising that crimes increase in proportion as our penitentiaries empty out their tenants upon the community? Is it surprising that our penitentiaries are so many nurseries of vice and crime?

We see this same principle operating throughout this part of the country, and producing the same effect in regard to manumitted slaves, and there is also the same mental blindness to the law of man's nature, which produces the effect. A man has a large number of healthy, industrious, moral slaves, of different ages, from twenty-one, to forty-five. On his death bed, he sets them all free, with the most solemn exhortations to be industrious and moral, and receives from them the most solemn promises of obedience. He gives them his blessing, and dies. In the course of a short time, nine out of ten of these slaves, so industrious and moral before, become vagabonds, and one half of them perhaps, get into the penitentiary, and all the neighbourhood immediately and perpetually exclaim, "see the effects of manumission! The blacks are not "capable of being free, and providing for themselves.

"They are an inferior order of beings, and fit only to "be slaves!" And this they will maintain in opposition to reason and authority, although they see a multitude of instances, of blacks, who have been born free, and educated with the expectation of being free, who make as industrious, sober, good citizens, as any in the country.

Although every man is sensible of the force of habit, from his own experience, yet we are all too apt to overlook it, or make no allowance for it in others; and our legislators, in forming our penal codes, seem never to have reflected, that there was any such thing as habit; but to have considered man's will to be, under all circumstances, equally free to do right or wrong, and that no greater effort is required for a man, whose will has been in subjection to another for ten years, to go voluntarily to work and provide for himself, than if, during that period, he had been free and voluntarily industrious. But, in my humble judgment, it is as irrational to expect a man, who has been ten years confined in a penitentiary to hard labour, at once to become voluntarily industrious, when free, as it would be to expect a savage of our western wilderness, at once to assume the manners and habits of an industrious citizen, merely on hearing the advantages of civilization described. From the foregoing observations, I deduce the following propositions.

1st. That confinement in a penitentiary, is no punishment at all, to at least one half of those who are put there for punishment.

2d. That confinement ordinarily ceases to be a punishment to all, before a tenth part of their time is expired.

3d. That a long confinement in a penitentiary, utterly disqualifies a man for gaining an honest livelihood by his own voluntary industry; and that, therefore, his only alternative, when turned out, is to steal or starve.

Admitting this to be the true state of the case, and that the evils of the present system are real, and not imaginary; the next inquiry is, in what way can they be remedied? This is a much more difficult branch of the subject than that of pointing out the evils of an existing establishment. I shall, however, attempt to suggest improvements, relying upon your indulgence, should I not be successful.

I would, in the first place, suggest the propriety of altering the law respecting children and youth, so as never to inflict either a corporal or disgraceful punishment upon such persons. Although from seven to fourteen, children may, according to the common law, be *doli capax*, yet if they commit crimes, it is more the fault of those who have had their training, than their own; and there can be little doubt, but that with proper instruction and government, they may be reformed. When a child or youth, under sixteen or eighteen, commits a crime, instead of inflicting that punishment provided for men, I would have them taken from their parents and placed under the care of some good master, who should instruct them, and

teach them some mechanic art. Our temples of justice are too often profaned by arraigning children and youth, convicting and punishing them as men.

In forming a penal code, the great object should be, so to adapt the punishment to the character of the transgressor, as to produce the desired effect, with the smallest quantity of suffering. We must not, however, from false notions of humanity, stop short of producing the desired effect; for in that case, the punishment inflicted becomes wanton cruelty. As far as practicable, a punishment should be provided to suit the character of every criminal. In a perfect system of punishment, the penalty would be applied to the personal character of the offender, and not to the offence or specific crime committed. In this way, infinite wisdom would punish guilt. But such a system can never be adopted by short-sighted man. Human laws must be general and equal, as it regards the specific crime, without respect to the character of the criminal. But although penal laws must regard the crime committed, without reference to the personal character of the offender; still there remains great latitude to adapt the punishment to the character of the criminal, by observing the character of those who usually commit certain offences, and providing a punishment suited to the character of that class of persons. We find, for instance, that persons who usually commit petty larceny, and the other minor and meaner offences, are totally insensible, or nearly so, to the loss of character, and are inaccessible

by any other means than corporal punishment. For these offences, therefore, I would provide a punishment suited to the character of such persons, and if other characters committed these offences, they must take the consequences, and suffer the punishment. I would therefore rebuild the whipping-post and pillory, for these offences, or, what is the same thing, for this class of people. The punishment is then soon over, without expense or trouble to the state, and in a manner much more likely both to work reformation, and serve as a terror to others, than that of confining them in a penitentiary, which, to such persons, is often neither a punishment nor a terror, but rather a school of vice. This corporal punishment would, besides, have the effect to stamp a character of meanness upon these offences, (the most numerous that are committed,) which would cause even villians to despise and disdain to commit them, for rogues have their laws of honour and notions of dignity. There is no occasion to inflict corporal punishment with a degree of shocking severity, which shall excite the commiseration of the beholders. To mangle a man's body with a lash is wanton cruelty—not wholesome punishment. Although I never saw the lash of the bastinado inflicted, yet from the accounts I have heard and read, I presume the bastinado never excites those feelings of disgust and horror, that a severe whipping does. Certain I am, however, that severe corporal punishment may be inflicted without mangling the body, but whether the lash is the most

suitable instrument I am not prepared to say. If these persons repeated their offences and were found incorrigible, I would rank them among a higher grade of criminals, to be treated as hereafter described.

The next class of persons for whom I would provide punishment, are those, who, although they have not moral principle enough to restrain them from the commission of crimes, have, nevertheless, some regard to character, and are liable to disgrace. Such are violators of public trust, house-breakers, swindlers, counterfeiters, horse-thieves, &c &c. This class of criminals are usually from the higher orders of society, and seldom commit petty larceny, or any of the meaner crimes. These people have some regard to character, and are susceptible of punishment by disgrace; and it is not therefore necessary to rely alone on corporal punishment for them. They are also capable of being brought to reflection and penitence. For them, therefore, I would provide a penitentiary, in the true sense of the word—not a work-shop, but a real penitentiary. In it the cheerful sound of the hammer of industry should never be heard. The tenants of it should remain in perfect idleness and solitude. They should see no human being but their keeper; unless, indeed, it might perhaps be well, occasionally to expose them to public view, for the purpose of humiliation. They should be clothed in the garments of humiliation and disgrace. They should wear chains, not only for their safety, but as a badge of their character. It would be well to keep them

in darkness as much as possible; but I am told a man cannot endure total darkness more than about twenty days at a time, before he becomes deranged. As a principal object is, to operate upon their pride of character, I would have an official account of their conviction as widely circulated as possible, through the public papers. This should contain a description of their persons, their place of birth, and parentage. To many this would be a most terrible punishment—and, although it might wound the feelings of relations, yet this must be endured for the public good—and it is generally the fault of parents, in a great measure, that their children become criminals, and they therefore deserve to bear a part of the punishment. Confinement in this penitentiary should never be long enough to destroy those habits which are necessary to enable a man to procure a livelihood by his own industry; nor long enough for him to acquire other habits incompatible with his freedom and voluntary industry. I would, therefore, never have a person confined in this penitentiary more than six months, and in most cases not near so long. The principal object is disgrace and humiliation, and this is as effectually accomplished in a month as in a year. If this class of criminals repeated their crimes, and were found incorrigible, I would rank them among a still higher grade of criminals, to be treated as follows:

For the third grade of criminals, I would provide a perpetual work-house, somewhat upon the plan of our present penitentiaries. I call it a perpetual

work-house, because I would have none sentenced to it but for life. It is designed for incorrigible offenders, for whose reformation there is no hope, and whose characters render it dangerous to suffer them ever to be let loose again upon society. I would set them to work to prevent them from being a burden to the state, and as they are never again to be let loose upon society, it is of little importance what habits they form, nor can there be any objection to their enjoying as much happiness as is consistent with their safety. There can be no object in punishing them with idleness and solitude. Into this perpetual work-house, I would in the first place, put all those incorrigible offenders, who had repeated their crimes after having been at the whipping-post, or in the penitentiary. I would also put into it persons guilty of murder in the second degree, where that idle and ridiculous distinction exists—also, those guilty of arson, of rape, of man-stealing, of highway robbery, of perjury, and perhaps counterfeiters for the first offence. Indeed, all persons who have evinced that incorrigible depravity of heart, which renders them dangerous to society, should be sentenced to this perpetual work-house. To it I would sentence none but for life; since to confine them there for a term of years, and then turn them upon society, is to make them felons by a regular course of discipline. It might perhaps be well to make some provision for discharging them, upon condition that their friends would give adequate

security that they should immediately depart the country, and never return. They should be required not merely to leave the state, but the country, for one state ought not to banish its felons to the other states.

The last grade of crimes should be capital: and whether this should include any but murder, I am in doubt. Much has been, and may be said on both sides of the question; but as the arguments are familiar to every one, it is unnecessary to repeat them. I am, however, decidedly of opinion, that murder should be punished with death.

Among other evils of the present system, is its enormous expense, and the system I have suggested, I conceive, would lessen that expense at least one half.

I have thus stated, very imperfectly, I fear, some of my notions of the evils of our present penitentiary systems, and taken the liberty of suggesting some alterations which to me appear well calculated to improve them. I have not, probably, gone so much into detail as might be necessary for the public, but I am writing to gentlemen to whom a hint is as good as a volume.

I will also take the liberty of making a few general observations upon the present administration of the laws, which, in my opinion, has a very bad effect upon the community.

The great object to be attained in the administration of penal laws, is certainty in the detection of criminals, and certainty in their punishment. The object of this certainty is not so much the vindictive

punishment of the offender, (for that does not lessen the evil the community suffers from the crime which has been committed,) as the prevention of others from offending. Very few would commit crimes, if they knew to a certainty that they should be detected and punished. Every rational being, before he deliberately commits a crime, must necessarily make a calculation of the chances of escaping punishment; and therefore every criminal who escapes, in whatever manner, or from whatever cause, affords additional encouragement to others to violate the laws; and where a large portion of those who commit crimes escape punishment, as is at present the case, the temptation and encouragement to commit crimes become very great, and it is not surprising that they annually increase.

There is at present a very great laxity and carelessness in our public officers, especially in the middle and southern states, so far as my observation has extended, in bringing criminals to justice; and there is a most deplorable disposition, I may almost say propensity, in the public, to permit criminals to escape punishment. This proceeds, in some measure, from false principles of humanity. Every man seems to say to himself—"true, this man has committed a "crime, and may deserve punishment; but punishing "him will not remedy the injury; it is a pity to bring "disgrace and suffering on the innocent friends of the "unfortunate criminal, and it is besides an affair of "the public, not of mine, and I am not therefore

"required to take any pains to bring him to punish-
"ment." It is almost invariably the case. I have witnessed it often, that if a criminal, at all respectable in his appearance, or if he has any friends who are respectable, is arraigned at the bar, the sympathies of the whole audience are immediately interested in his favour, and every one is ready and willing to do every thing in his power to rescue him from punishment; and, if they are successful, no matter how manifest the guilt of the accused, they seem to exult in having rescued a victim from that inexorable tyrant the law. So powerful is this feeling, and so often successful in rescuing the guilty from punishment, that, according to my observation, the fact of a man's suffering a disgraceful punishment does not prove that he is more guilty than many others who are not punished, but only that he has fewer friends.

People who reason and act in this way, never reflect that every criminal who escapes punishment, from whatever cause, affords example and encouragement to others to commit crimes, and that a principal object in punishing criminals is to deter others from offending.

Some of the facilities for escaping punishment might be easily remedied, and with this view I would deprive the governor of the power of pardoning, and of granting a *nolle prosequi*. I consider this power to be attended with most mischievous consequences, and should be taken away entirely. In the first place, this must be a most unpleasant power for an

honest and a humane man to exercise. In the next place, there can be no hope, in the present state of society, that it will ever be exercised with rigor or impartiality. Those who have strong friends will obtain a *nolle prosequi*, or a pardon, be their crimes small or great. Those who have not friends will never obtain either the one or the other. But these are by no means the worst consequences of this power. It is the anchor of hope to the accused and the convict; and there is very little likelihood of penitence or reformation, so long as there is hope of escaping punishment. A single spark of hope will support a mind, which, without it, would sink into contrition and repentance. It should, therefore, be a principal object to extinguish every ray of hope of escape, in the mind of the accused criminal, and of the convicted felon.

The powerful efforts that were made to rescue Hutton and Hull, the mail robbers and murderers, from punishment, is one among a thousand cases that might be cited to show the evil consequences of this power of pardoning. The effects of such efforts upon the community, even though unsuccessful, are most pernicious. There is nothing in my opinion, which has more influence in demoralizing society: it accustoms people to advocate and defend guilt, by getting their feelings enlisted on the side of the guilty. There were thousands of persons, of both sexes, insensibly led first to palliate and then to defend the guilty murderer, Hull, by having their feelings enlisted in his

favour, with a hope of being instrumental in saving his life. There were thousands of persons, male and female, in Baltimore, Philadelphia, and I believe in New-York, who signed a memorial to the governor to pardon him, and it was really shocking to one, who reflected upon the consequences of these things, to see with what ingenuity and earnestness, respectable people, of both sexes, palliated and defended the crime of that monster, which ought never to have been mentioned but with execration and horror. The same thing is constantly repeated in this state, although upon a smaller scale, with every criminal condemned either to the penitentiary or the gallows, who has any respectable friends. To prevent every thing of the kind, both upon a great and small scale, I would take away the power to pardon. If there must be such a power somewhere, leave it with the legislature: there would be very little danger that they would often exercise it. There should be also as little discretion as possible left with the court in affixing the penalty to different offences. I have known a man to be sentenced to the penitentiary for ten years, for stealing a piece of calico not worth more than ten dollars, without any proof of his being an old offender; and I have known a man to be sentenced only ten years to the same penitentiary, who had committed a most atrocious murder. Such inequality ought not be, and the improvements which I have suggested will necessarily leave very little discretion with the court.

A great deal of mischief has been done in this state, and in Pennsylvania, and, for ought I know, in some of the other states, by attempting to improve the common law of homicide. The attempt to make two species of murder, when there is in the nature of things but one, and punishing the one with death, and the other with imprisonment, has had the effect of reducing all, or nearly all murders to the second grade; for it is seldom that a jury will, under any circumstances, find a man guilty of murder in the first degree. The common law of homicide is as perfect as the reason of man can make it; and the only rational distinction of felonious homicide is into murder and manslaughter, as the common law has established it. There are, however, some cases of constructive murder in England, which are rigorous and unjust. But this is the fault of other branches of their law, and not of that relating to homicide. Where stealing a chicken is a capital offence; if a man in attempting to steal a chicken unintentionally kills a man; it is as perfectly consistent with the code of laws that he should be punished as a murderer, as it is that a man should be punished as a murderer, who in attempting to murder A, unintentionally kills B. Some of these cases of constructive murder in England are rigorous and unjust; and some of our legislators have supposed that the common law of homicide required remedy, without ever reflecting that the law would be different in this country, without any legislative interference, inasmuch as stealing is not a capital offence by our

laws, and therefore homicide committed accidentally, in attempting to steal, would not be murder.

I have thus, gentlemen, stated, I fear more in detail than you will have patience to read, some of my notions on the main question proposed. My opinion on the other questions will be readily deduced from what I have said upon this. It will be highly gratifying to me, if I have been successful in my feeble attempt to assist you in your arduous undertaking.

With a most sincere and hearty wish for a successful termination of your labours, upon this interesting and important subject,

I have the honour to be,

Your most obedient,

Humble servant,

D. RAYMOND.

Messrs. C. D. Colden,
P. A. Jay,
J. Milnor,
T. Eddy,
C. G. Haines.

TABLE *of the White Population of the United States in* 1810 *and* 1820, *with its Increase; and of the Coloured Population at the same periods, with its Increase; and the Ratios of Increase of each Population in ten years.*

States and Territories.	White Population. 1810	1820	Increase.	Coloured Population. 1810.	1820.	Increase.	Decre.	Ratio of white inc.	Ratio of col'd inc.
Maine,	227,736	297,340	69,604	969	889		80	30.5	
New-Hampshire	213,490	243,236	29,746	970	786		184	13.9	
Massachusetts,	465,403	516,419	51,016	6,737	6,740	3		11	
Rhode Island,	73,214	79,413	6,199	3,712	3,602		110	8.5	
Connecticut,	255,179	267,181	12,002	6,763	7,967	1,204		4.7	17.7
Vermont,	217,145	234,846	17,701	750	903	153		8.2	2
New-York,	918,699	1,332,744	414,045	40,350	39,367		983	45	
New-Jersey,	226,868	257,409	30,541	18,700	20,017	1,317		13.5	7
Pennsylvania,	786,804	1,017,094	230,290	23,283	30,413	7,130		29.3	30.6
Delaware,	55,361	55,282	*	17,311	17,467	156			.9
Maryland,	235, 17	260,222	25,105	145,434	147,130	1,696		10 7	1.1
Virginia,	551,534	605,074	5 ,540	423,088	462,042	38,954		9.3	9.2
North Carolina,	376,480	41 ,200	42,770	179,090	219,629	40,5 9		11.3	22.5
South Carolina,	214,196	257,440	23,244	200,919	265,301	64,38		10.2	32
Georgia,	145,416	189,566	44,150	107,019	151,419	44,400		30.3	41.5
Kentucky,	324,237	4 4,644	110,407	82,274	129,491	47,217		34	57.3
Ohio,	228,861	576,572	347,711	1,899	4,723	2,824		152	148.7
Tennessee,	215,875	339,727	123,852	45,852	82,834	36,982		57.3	80.6
Mississippi,	23,264	42,176	18,912	17,528	33,270	15,94		81.3	92
Alabama,		96,245	96,245		48,072	48,072			
Indiana,	23,890	145,758	121,868	630	2,320	1,690		510	268.5
Louisiana,	34,311	73,383	39,072	42,245	79,540	37,295		113.9	88.3
Missouri,	17,227	55,988	38,761	3,618	10,569	6,951		225	192.1
Arkansas,		12,552	12,552		1,676	1,676			
Illinois,	11,501	53,788	42,287	781	1,374	593		367.7	76
Michigan Ter.	4,618	8,591	3,973	144	174	30		86.9	21
Dis. of Columbia,	16,07	22,614	6,535	7,944	10,335	2,391		140.7	30.1
	5,862,093	7,872,504	2,010,128	377,810	1,778,050	401,598	1,357	34.3	29
		decr. of Del.	79			decrease,	1,357		
			2,010,049			400,241			

The preceding is one of the most important statistical tables that can possibly be put into the hands of an American legislator. Upon the subject of slavery, which is by far the most interesting subject that an American legislator has to deal with, it speaks volumes, in a language that cannot fail to carry conviction to the most obdurate and prejudiced mind.

The first observation that the foregoing table suggests, is the great disparity between the increase of the free black, and the slave population. In four of the New-England states, and in New York, where nearly all the coloured population is free, there has been an actual decrease of numbers during the last ten years. It is a singular fact, that in Connecticut, the black population has increased in a much greater ratio than the white, although in a much smaller ratio than the general average of the slave increase. That the black population in that state has increased faster than the white, is to be accounted for, from the fact, that the blacks never emigrate, while the whites are notorious for their migratory disposition. That the blacks have increased so much faster in that, than in the other free states, (Pennsylvania excepted) may be accounted for, in part, from their superior condition. They stand, in almost all respects, upon an equal footing with the whites—their children have all the benefit of free schools, and are all educated. There has probably also been some emigration to the state from New York, and the other adjoining states, in which their privileges are not so great.

In Vermont, and New-Jersey, the increase of the blacks has been very small. In Pennsylvania, the ratio of increase of the blacks has been somewhat greater than that of the whites. This great increase in Pennsylvania has, no doubt, been caused principally by emigration, that state being the asylum of free blacks and runaway slaves, from Maryland and Virginia.

The increase of the black population in Maryland, has been very small. This is to be accounted for upon two grounds—First, a great many slave owners have emigrated from the state to the south and west, and have taken their slaves with them. Second, the slave trade has been carried on very extensively from the state to the south.—There are, and have been, for many years past, a great number of southern traders, who have been constantly buying up droves of slaves, and sending them off to the southern market.

In Virginia, the increase of the blacks has been in about the same ratio as that of the whites, but much below the general average of the slave increase. This small increase is to be accounted for upon the same grounds as the small increase in Maryland. The slave trade has been extensively carried on from Virginia.

In North Carolina, the ratio of the slave increase has been double that of the white increase, but below the general average.—There has, no doubt, been a large emigration from that state also.

In South Carolina, the ratio of the slave increase has been more than three times as great as that of the white, and about the general average of the slave increase. If this rate of increase of the two kinds of population, should continue, South Carolina will be in an unpleasant predicament, after a few more censuses.

The black population in Georgia has also outstripped the white, but to this state the slave trade has been carried on. Kentucky, Tennessee, and Mississippi are in the same predicament.

It appears by the table, that the ratio of increase of the whole white population of the United States, has been somewhat greater than that of the whole coloured population; but if we separate the free coloured from the slave population, it will no doubt be found, that the slaves increase faster than the whites; and if we separate the whites in the free states from those in the slave states, it will be found, that the slaves increase nearly twice as fast as the whites in the slave states. If this is to continue to be the case, what will be the condition of the southern states a few years hence? This fact ought to excite the apprehension of our southern brethren, and they will do well to look to it.

From the foregoing table, one would naturally conclude, that sound policy would dictate two leading measures to the legislatures of the south. First, to prohibit the further emigration of slaves to the respective states. Had Kentucky, Tennessee, and the

other new states adopted this policy ten years ago, the curse of slavery would at this day have existed in a very small degree in those states, and if adopted now, the evil will be much smaller ten years hence than it otherwise will be.

Second, as a free black increases much slower than a slave population, the next most obvious measure that can be adopted for the purpose of restraining the black increase, is to permit and encourage manumission by every possible means.

THE END.

ADDITIONS FROM THE 3rd EDITION

1. New Preface
2. Essay on the Constitution
3. Appendix on the Tariff

PREFACE.

I presume the following letters will be a more acceptable preface to the public than any I could write, and I therefore give them.

Montezillo, February 8th, 1821.

SIR:

I am indebted to the publisher for your thoughts on Political Economy, in two parts. Although reading is almost an intolerable imposition upon my eyes, yet I have read this volume through, and have been richly rewarded for my pains, by the pleasure and instruction I have received. I know not what the reviewers will say of it, on either side of the sea, but I will venture to say, that I have never read any work upon Political Economy with more satisfaction. It is a rich addition to my library, or what is of infinitely more importance,—a proud monument of American literature. You very justly consider a nation as a single colossal personage, like the picture of Hobb's Leviathan, made up of as many million little mortals as you please,—whether these compose the hands or the feet, the head or the spine, if they are all industriously employed in labour, they are all producing national wealth. You have pursued the only genuine method of investigating truth, by precise definitions of words, by clear statements of facts, and establishing general correct principles. That earth is the source, and labour the cause of both public and private

wealth, are as clear truths as any I know—and I believe with Harrington, it is the source of dominion also. I know not what objection to make to any of your definitions or principles. You have indeed cracked the shell of political economy and extracted the purest oil from the nut.

I shall warmly recommend it to the perusal of every man of letters that I see.

Accept my thanks, to you as the author, and to the publisher for my property in the book; and believe me, with great respect,

Your most obedient,
And most humble servant,
JOHN ADAMS.

DANIEL RAYMOND, ESQ.

Bedford, West Chester Co., N. Y. Feb. 13th, 1821.

SIR:

I have received and thank you for the book on Political Economy, which you had the goodness to send to me.

It contains distinctions and definitions which tend to relieve this abstruse subject from several obscurities. If those of its essential principles, which result from pertinent and indisputable facts, were clearly developed and established, they would divest this science of many doubts and difficulties which perplex it; and would afford useful directions to legislative measures respecting various interesting objects.

Of the remarks in this work there are some which appear to me to be too general and unqualified—I allude particularly to those which respect the purposes for which social compacts and nations were formed.

The division of mankind into nations, was effected by the variety of languages, which, for that end, were introduced among them at Babel. It naturally prompted those of the same language to associate and appoint rulers, and then to migrate to different regions—thenceforth they became independent nations.

In my opinion, there is reason to believe, that all mankind were at *that period* in a civilized state—that their division into nations facilitated the institution and also the exercise of government—and that the primary object of government *then* was, to provide for the demands and necessities of their new condition and situation. In process of time, as population and power increased, their views and pursuits became more and more extensive, and vicious rulers waged war for vicious purposes.

These, however, are matters which have more of a collateral than of a direct connection with the main design and scope of the work. I hope it will meet with the attention which it appears to me to deserve; and which it will doubtless receive from the able and worthy gentleman to whom it is dedicated.

I am, sir, your obliged and obedient servant

JOHN JAY.

DANIEL RAYMOND, ESQ.

Richmond, September 25, 1821.

SIR:

Your book on Political Economy was left for me while I was not at home, by an unknown person who did not give his name. I found it enveloped in brown paper, and supposed it to be a volume left by the agent of some bookseller, who would call again in a few days. Being at the time much occupied with some intricate law cases, which had been submitted to me for consideration during the session of the circuit court, I did not remove the envelope; and on the termination of my official duties I made an annual excursion to our mountains. It was not until after my return, some days past, that I took off the covering, and perceived the obligation you had conferred on me by transmitting me your valuable treatise. This explanation, I hope, will rescue me from the suspicion of having been regardless of this flattering evidence of your consideration.

I have read your 'Thoughts on Political Economy' with great attention and pleasure, and am gratified that an American has taken up the subject. It is not less important than abstruse, and presents perhaps as many questions, the solution of which, on full investigation, will be different from our impressions on a first view, as any science whatever. You have thought upon it profoundly, and if I am not sure that every proposition you lay down is entirely accurate, I am convinced that many are, and that all deserve consideration.

Your opinion upon slavery, and especially on manumission, are deeply interesting to our southern states, and I wish they could engage that share of our serious reflection to which they are entitled.

Accept, sir, my thanks for this additional mark of your polite attention, which are not the less sincere for having been long delayed; and believe me to be, with great respect,

Your obedient servant,

J. Marshall.

Daniel Raymond, Esq.

Philadelphia, May 6th, 1824.

Sir:

Ever since your work issued from the press, it was my intention to give it a careful perusal, but my other studies, and my college duties, did not admit of it until within a few weeks past. Since your second edition was printed, I have purchased and read it with close attention, and I cannot refrain from expressing to you the pleasure which it has given me. Amidst the false taste and crude productions of the times, it is a real gratification to the American, who has at heart the literary reputation of his country, to find a writer who displays such clear views, just and profound comprehension of his subject, and such neatness and perspicuity of style. I have not made the subject a matter of sufficient study and reflection to be able to decide that your conclu-

sions are always just or your principles correct; but I can determine, with perfect certainty, that your doctrines are always exhibited with unusual clearness, and supported by strong masterly arguments. The work of Adam Smith is undoubtedly, in many respects, a good one, and you have allowed him his full share of praise. Upon the points in which you differ from him you have assigned good reasons for that difference, and have supported your own opinions with great ingenuity and success. The taste, too, discovered in the style, is no less commendable than the good sense and profound reflections which are interspersed through the work. The fashionable style of the present times is that of perpetual glitter. Tinsel ornaments, and an endless verbiage now minister to the trade of book-making. Just views, solid thoughts, clear and neat expressions, are no longer sought, except by a very few. Our over-supply of periodical works and reviews, has contributed, and is still contributing, to foster and extend this false taste. Most of the contributors to these works have no thorough comprehension of their subject, and endeavour to make amends for their want of knowledge by splendid diction and glittering imagery, which impose upon the understandings and satisfy the crude appetites of the vulgar. I am happy to find that your work is entirely free from these faults. Its fame, I doubt not, will increase in proportion as it is read.

If you will allow me, I would suggest another subject to you for a volume, which might become very useful to your country. There is wanted, in our colleges and schools, a short and able exposition of the principles of the Federal Constitution. I would have each article of the Constitution considered in turn, its history (if I may call it so) explained, the grounds upon which it was inserted, the political views which led to its introduction, and every other consideration connected with it, which would naturally suggest itself to the mind of a writer who was completely master of the subject. This object is, in some degree, accomplished in the Federalist, an excellent tract, but not entirely. That work

has much in it which might be omitted in such a treatise as I propose, although it contains much also which might be incorporated with it. The Federalist, although suited admirably to the purpose for which it was composed, is not put into a form scientific enough for the purpose of a college manual. I merely suggest this for your consideration.

With great respect, believe me,

Your obedient servant,

The writer of the above letter is still living. He is a stranger to me, and has never authorized me to make his name public, and therefore I suppress it.

Baltimore, *October* 4, 1836.

ON

THE CONSTITUTION OF

THE

UNITED STATES.

Before we proceed to the discussion of the Elements of Political Economy, it may be well to inquire what power Congress possesses, under the Constitution, of adopting any particular system of Political Economy.

The modern theory of governments is, that they are established by the people for their own use and benefit; and that it is the inherent right of the majority to determine the form of the government and the extent of its powers; and the minority is bound either to acquiesce in the will of the majority or leave the country. Upon no other principles can a free government ever be established.

A national civil government is one whose laws operate directly upon the citizens, and can therefore be enforced by civil process. Hence a confederation

or league is not a civil government, because its laws operate upon sovereign states, and cannot, therefore, be enforced by civil process.

All citizens in a free government are presumed, either expressly or tacitly, to have assented to, and adopted the constitution under which they live. This presumption can only be rebutted by their leaving the country, or by revolution. An unsuccessful attempt at revolution is rebellion.

A NATION is a community of men inhabiting a definite territory, exercising the rights of sovereignty, and bound together by the same government to which they owe allegiance.

SOVEREIGNTY is the natural right which all men possess, individually and collectively, to the free use of their own faculties for their own benefit.

GOVERNMENT is the concentration of the whole, or some portion of the sovereignty of the nation in one or more individuals, designated by the Constitution, to administer the government.

A CONSTITUTION is a compact, entered into, by a majority of the people, for their own government. The minority is bound either to acquiesce in this compact, or leave the country. Hence a Constitution binds the parties to it, and none others, as all citizens are presumed to be parties by their own express or tacit agreement.

Each individual citizen, as he arrives at the years of discretion, is presumed to adopt the Constitution of

his country according to his own understanding of it. He is not bound to adopt it in the same sense, or to give it the same construction his father gave it, but is at perfect liberty to give it a construction for himself; because freedom of opinion upon all subjects, political as well as religious, is the inherent right of all men, of which no act of their ancestors can divest them.

As a constitution then binds the parties to it, and none others, the first inquiry is, who are the parties to the Constitution of the United States? whose act and deed is it? I do not mean to inquire who performed the intellectual and mechanical labour of arranging and combining the letters of the alphabet in such a manner as to produce the instrument called the Constitution; but who gave it vitality by breathing into it the breath of life? who adopted it, and thereby bound themselves by it?

It is a matter of perfect indifference who drafted the Constitution and put it into its present form—whether this labour was performed by a convention appointed in one way or another, is wholly immaterial, as the instrument remained a dead letter, until agreed to and adopted, by the parties for whom it was prepared. Had the Constitution been prepared by a voluntary association of statesmen in Europe, and sent to this country with a recommendation to the people to adopt it; and if in compliance with this recommendation the people had adopted it, it would

to all intents and purposes have had the same validity it now has. Hence also, it is wholly immaterial in what sense the convention framed the constitution, or what they intended by its various provisions. The question is, in what sense did the parties adopt, ratify, and execute it? If the convention had one opinion of the meaning of the Constitution, and the parties to it a different one, there can be no doubt which should prevail.

One mode of ascertaining who are the parties to the Constitution, is, by reference to the instrument itself. From this it is manifest that the people individually are the parties, and none others. The convention recommended it to the people of the different states for their adoption, and it is a historical fact, established by the public records of the country, that the people, and the people alone, in the several states, did adopt and ratify it. The people alone are therefore the parties to the compact, and they alone are bound by it.

In opposition to this doctrine it is contended, by some, that the states, in their sovereign or corporate capacities as contra-distinguished from the people, are also parties to the Constitution.

This doctrine makes the government a confederacy or league instead of a national civil government. If the states are parties, they have a right to construe the Constitution for themselves, and to judge when its provisions are violated, and this right be-

longs to each successive legislature. Hence results the doctrine of nullification.

These two theories of the Constitution are in direct conflict, and cannot stand together, for the legislature of a state may give one construction to the Constitution, while the people of the same state may give it a directly opposite construction. If then the people are parties the states are not, and if the state are parties the people are not.

If the states are not parties, it is a high-handed act of usurpation, for the state legislatures to attempt to thrust themselves into the Constitution of the United States, and as great a mis-nomer to call the government a *confederacy* as it would be to call it a *monarchy.*

Upon what ground then do the states, in their corporate character, claim to be parties to this compact? The Constitution has never been submitted to them for their adoption, nor has any state legislature ever presumed to adopt it.

The only ground upon which they claim to be parties, is the equal representation of the states in the senate, and the fact, that the senators are appointed by the state legislatures. Hence it is inferred, that the senators are the representatives of the state legislatures, and therefore, the said legislatures are parties to the Constitution. Most assuredly a far-fetched conclusion. It might, with as much propriety, be maintained that the President of the United States is

the representative of the electoral colleges, and not of the people of the United States.

It would seem to be a much more legitimate mode of reasoning, to suppose, that for this purpose, the state legislatures are electoral colleges, appointed by the people to elect their senators, and that the senators are therefore the representatives of the people of the several states, and not of the legislatures as contradistinguished from the people. This theory makes the Constitution harmonious and consistent with itself, and puts an end to the doctrine of nullification.

As no man is bound to adopt either the religious or political opinions of his father, it follows, that no man is bound to give the Constitution the same construction which his father gave it. Each individual citizen has therefore a perfect right to read and understand the Constitution for himself, subject however to the will of the majority, when expressed in the constitutional mode; and that which it is the right of each individual citizen to do, it is the right of the nation to do. Hence it follows, that each generation has a right to construe the Constitution for itself, and is not bound by the construction given to it, by its predecessors or ancestors. Hence, one generation may think a protective tariff constitutional, and legislate accordingly—the next generation has a perfect right to think differently and reverse the policy. One generation may think it unconstitutional for the

government to engage in a system of internal improvements—the next generation has a perfect right to reverse the opinion and act accordingly. In other words, the Constitution of the United States is just what a constitutional majority of the people, at any particular time, may happen to think it is. A constitutional majority is a majority of the whole people of the United States, and also a majority of the people in a majority of the states. It is therefore a double majority. In legal effect, the opinion of a constitutional majority, is precisely equivalent to the unanimous opinion of the whole people.

The Constitution of the United States, like every other written Constitution, consists of two parts, 1st, That which relates to, and establishes the form of the government; 2nd, That which relates to, and limits its power. The first prescribes the manner in which the President, Vice-President, and the two Houses of Congress shall be elected—their qualifications, and the periods of their election. It also prescribes the mode in which they shall exercise their executive and legislative powers. This may be called the *formal* part of the Constitution, and comprises more then nine-tenths of the whole instrument. It is that part which establishes the republican form of the government, and is therefore the most important part. Upon this part of the Constitution no material difference of opinion has ever arisen.

The second part, which relates to, and limits the

power of the government, has given rise to all, or nearly all, the constitutional questions which have divided and distracted the country. This may be called the debateable part of the Constitution, to the true construction of which, the public will is the index. This part is mostly contained in the 8th, 9th and 10th sections of the 1st article.

It would be presumption for any commentator to attempt to establish the true construction of the debateable parts of the Constitution. It has and will, no doubt, at different periods receive different constructions, and each construction will, for the time being that it lasts, be the true one, because it will be the construction of a constitutional majority of the people, which is the supreme law on all doubtful and debateable questions.

What construction then will the people, according to the known laws of human action, be most likely to give to this part of the Constitution? Will they give it a large and liberal construction in furtherance of their own power to promote their own welfare, or will they give it a narrow and strained construction, in limitation of their own power?

A broad and liberal construction leaves the people of each generation at liberty to adopt such measures as they may think will promote their own interests, while an illiberal and narrow construction may deprive them of a valuable portion of their liberty. I think, therefore, we may take it for granted, that, as

a general rule, the people will give the Constitution a broad and liberal construction.

Whenever, therefore, the people shall be of opinion that a protective tariff, or a system of internal improvements, carried on by the government of the United States, will promote their own welfare, they will be very apt to find sufficient authority in the Constitution for adopting these measures—they will be very apt to consider the Constitution a *restraining* and not an *enabling* instrument, and they will look into it, not for the purpose of ascertaining what Congress, or in other words *themselves* may do, but for the purpose of ascertaining what they may not do; and if they find no positive restriction in the Constitution, they will be very apt to adopt the measure they think calculated to promote their own interest, whatever that measure may be.

It seems very natural to suppose that all written constitutions, after establishing the form of the government, are made for the purpose of restraining the exercise of legislative power, and not for the purpose of enabling legislative power to act. Government, we have seen, is the concentration or delegation of the whole, or some portion of the sovereignty of the nation. If the government possesses the whole sovereignty, it is absolute—if a part only, it is limited; and if it be limited, it seems natural to look into the Constitution for the limitation; and if none be there found, relating to the particular subject

in controversy, the people will be very apt to conclude that they possess the power in question, and possessing it, they will be very apt to exercise it; for whatever the people conceive they have a right to do, to promote their own interests, they will take especial care to have done, by electing men to Congress who will do *their will.*

It is a wise provision in the Constitution that a double majority is necessary to pass a law. There must be a majority of the whole people of the United States. The House of Representatives is the index of this majority. There must also be a majority of the people in a majority of the states. The Senate is the index of this majority. Hence it results, that a majority of the people in one half of the states, which may be less than one fourth of the whole people in all the states, may prevent a law from being passed.

This, together with the President's veto power, is ample security against hasty and inconsiderate legislation, and also against encroachments by the national government upon the rights of the state sovereignties.

There is another feature in the Constitution which has a tendency to secure a permanent and uniform construction of it. The Supreme Court has jurisdiction of all cases arising under the Constitution and the Laws of the United States. This court has, therefore, the right to decide upon the constitution-

ality of an act of Congress. In theory, this provision would seem to secure a permanent and uniform construction of the Constitution and control in some measure the public will; but, in practice, it has little or no such effect.

After a constitutional majority of the people have passed a law upon the ground that the Constitution contains no limitation of their power, it would be a bold and hazardous experiment for the Supreme Court to decide upon doubtful and debateable grounds, that the law was unconstitutional. If the Constitution contains an express limitation or restriction, it cannot be supposed that Congress would pass the law, unless through inadvertence, and then it would be no law. If there be no express restriction; to suffer the Supreme Court to impose one, would be suffering the court to alter and amend the Constitution, instead of expounding the laws made under it.

It is an axiom, that there cannot be two supreme wills in the same government; but, if upon subjects where the Constitution is silent, and therefore imposes no limitation on the power of Congress, as in the case of the purchase of Louisiana—chartering the Bank of the United States—making internal improvements—distributing the surplus revenue or the public lands among the states, the Supreme Court was permitted to interpose a limitation, and say that Congress could not purchase territory—charter a bank—distribute the surplus revenue or

the public lands, among the states, it would follow that the legislative *will* of the people was subordinate to the judicial *will* of the court.

The true doctrine, however, appears to be this—when the Constitution and the law are in conflict, the Constitution must prevail, and the law is null, and it is the duty of the court, when the question comes before them, to say so. But upon subjects where the Constitution is silent, as in the preceding examples, there can be no conflict between the Constitution and the law, and therefore the *will* of the people is the supreme law, and the court is bound to sustain it. It is only when the Constitution and the law are in conflict, that, the court is authorized to declare the law unconstitutional, and there can be no conflict where there is no antagonist power, and where there is either no Constitution or no law, there can be no antagonist power; and upon subjects where the Constitution is silent, there is no Constitution, and therefore the will of a constitutional majority of the people comes in as the supreme law, upon the principle that it is the right of the majority to rule. It is their right to make a Constitution where there is none.

The Supreme Court have, in fact, laid down this principle in the case of McCulloh *vs.* The State of Maryland, (reported in 4 Wheaton.) The Court there say, 'Should Congress, in the execution of its powers, adopt measures which are prohibited by the Constitution, or should Congress, under the pretext

of executing its powers, pass laws for the accomplishment of objects not entrusted to the government, it would become the painful duty of this tribunal, should a case requiring such a decision come before it, to say that such an act was not the law of the land. But where the law is not *prohibited*, and is really calculated to effect any of the objects entrusted to the government, to undertake to inquire here, into its necessity, would be to pass the line which circumscribes the judicial department, and to tread on legislative ground. This court disclaims all pretensions to such a power.'

Congress is the organ through which the people manifest their will. The construction which Congress gives the Constitution is presumed to be the construction given to it by the people; and this presumption cannot be rebutted. The people have a right to change their opinions, and therefore Congress has a right to give one construction to the Constitution at one time, and a different one at another, and both are politically right, provided they are not in conflict with other parts of the Constitution. If in conflict, the law that may be passed will be void, and it will be the duty of the Supreme Court to say so, whenever the question comes before them.

The Constitution is silent upon a great portion of the constitutional questions which have hitherto divided and agitated the country, and therefore it was competent for the people to decide the questions as

they pleased, and their decision was right which ever way decided. The Constitution is silent on the subject of chartering a United States' Bank. It was, therefore, competent for the people to decide that they had the power to charter such a bank. At a subsequent period it was competent for them to decide, and they did decide, that they had not the power, and both decisions were right. Again, the Constitution is silent as to the acquisition of territory, by purchase. The people decided that they had a right to purchase Louisiana, and the decision was right. This decision, it is true, cannot be reversed, because it vested certain rights which cannot be divested, but it is competent for the people hereafter to decide that they have no constitutional power to purchase another territory, and that decision will also be right, and the Supreme Court cannot reverse it. So the people have decided that they have the constitutional power to distribute the surplus money in the treasury among the states, and they may hereafter decide that they have no such power, and both decisions will be right, because the Constitution is silent upon the subject, and there is, therefore, no conflict between the Constitution and the laws, and therefore the Supreme Court cannot interfere. The people have decided that they have a constitutional right to protect the industry of the country by a protective tariff, and should they hereafter reverse this decision, and repeal all the tariff laws on the statute book, however disas-

trous it might be to the best interests of the country, no one would have a right to gainsay their decision, or question its constitutionality. Vox populi, vox dei, is for the most part a sound maxim in politics, however unsound it may be in religion and morals.

Some eminent jurists say, that as the Constitution of the United States is but one instrument; but one right, uniform construction can be given to it, while it lasts; and therefore if one construction is given at one period, and a different one at another, one of the constructions must necessarily be wrong.

There is surely a fallacy in this argument. The Constitution was made and adopted for the use and benefit of the people of the United States, and it was designed to promote their happiness; not merely of one generation, but of each and every successive generation to the end of time.

Now it is clear that the interests of different generations may be very different, and it must be admitted that each generation is the best judge of its own interests. A system of measures therefore which may be very beneficial to one generation, may be very prejudicial to another; and if it was necessary to give one uniform construction to the Constitution throughout all time; it would soon prove to be a curse to the people instead of a blessing. It is, however, useless for politicians to talk about what the people ought to do. The question for them to discuss is, what will they do? What construction will they give the

Constitution? And we may be very sure, that, upon subjects where the Constitution is either silent, or its language doubtful, and therefore liable to different constructions, the people will not persevere in giving it a construction which they find by experience to be prejudicial to their own interests.

If the people of the United States think proper to make use of the government of the United States, for the purpose of collecting a revenue, to be distributed among the states for the benefit of the people, they have a perfect right to do so, and if they find this the most convenient and best mode of collecting a revenue to defray the expenses of the state governments, they will do it. Both the general and state governments belong to the people, and they have a right to use them for their own benefit.

Let it ever be remembered that Constitutions are made for the people, and not the people for the Constitutions.

THE

ELEMENTS

OF

POLITICAL ECONOMY.

IN TWO PARTS.

BY DANIEL RAYMOND.

Third Edition.

IN TWO VOLUMES.

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C.—Page 253.

A tariff is the rate of duty imposed upon the importation of foreign goods, and the question is, who pays this duty?

The commonly received doctrine has been that the consumer pays the whole amount of the duty.

When any considerable portion of the consumption of the country is of domestic production, it is perfectly manifest that the consumer does not pay the whole duty on the foreign article.

All admit that the foreign and domestic article of the same quality must bear the same price in the same market.

If then a duty of twenty-five per cent. raises the foreign article twenty-five per cent. it will also raise the domestic article twenty-five per cent.—Hence it will follow that if one half of an article of consumption be a domestic, and the other half a foreign production, a duty on the foreign article which should produce a revenue of one million of dollars, would be a burden or tax on the consumers of two millions of dollars, and if the domestic product should constitute three-fourths of the consumption of the country, then a duty on the foreign article, which should produce a revenue of a million of dollars, would be a burden or tax on the consumers of four millions of dollars, and so the burden

or tax would be increased in proportion as the domestic product was greater than the foreign.

It is, however, a conceded doctrine that the more extensively an article is produced or manufactured in the country, the lighter the duty on the foreign article operates as a tax on the consumer, and therefore an impost or tariff should be highest on those articles most extensively manufactured in the country, and lowest upon those, wholly of foreign production.

But if it be true that the consumer pays the whole import duty, then the above rule ought to be reversed, and the duty ought to be lowest upon those articles which are most extensively produced or manufactured in the country, and highest upon those wholly of foreign production, such as coffee, tea, silks, &c.

It is not however true that the consumer pays the whole duty even upon those articles which are wholly of foreign production, and more especially, not upon those, a large portion of which is of domestic production.

Let us suppose the United States to be, as they were in 1789, when the government went into operation—commerce entirely free—and no impost on any article consumed in the country. In this state of things, suppose the nation to consume annually, coffee, an article wholly of foreign production, to the amount of one million of dollars in value. Suppose the average price of coffee to be twenty cents

a pound, which would make the quantity consumed five millions of pounds a year. Government wishes to raise a revenue of two hundred and fifty thousand dollars on coffee, which would require a duty equal to twenty-five per cent. ad valorem, or five cents a pound; and it therefore lays an impost of five cents a pound on coffee. How much will this impost raise the price of coffee to the consumer?

The first effect of raising the price will be, to diminish the consumption. The nation has been in the habit of paying a million of dollars a year for coffee, and the people cannot, without greatly subtracting from their other ordinary expenditures, pay an additional sum of two hundred and fifty thousand dollars, for this single article of consumption. They will therefore use coffee with more economy—substitute other articles for it, and in this way diminish their consumption. This will produce a partial glut in the market. The producers (or importers which is the same thing) consequently, will not be able to sell the whole of their five millions of pounds at the enhanced price of five cents a pound, the amount of the impost—The producers are all as anxious to sell, as the consumers are to buy—The consequence therefore will be, that they must reduce the price, and I maintain that according to the universal laws of mutuality, between seller and buyer, and of supply and demand, that the price of coffee, instead of being enhanced five cents, will only be enhanced two and a half cents a pound. In other

words, the impost must be equally shared between the producer and the consumer. The consumer, instead of paying twenty cents a pound as formerly, must and will pay about twenty-two and a half cents, and the producer instead of receiving twenty cents as formerly, will only receive about seventeen and a half cents.

The impost is an additional charge upon the production, which the consumer has it as much in his power to compel the producer to pay, as the producer has the power to compel the consumer to pay it. If the producer is not obliged to sell his coffee unless he gets his own price, neither is the consumer obliged to buy, unless he can buy at his own price. The producer is as much in the power of the consumer, as the consumer is in the power of the producer, and even more so; for the consumer can better do without the coffee, than the producer can do without the price for it. I put the question confidently to any man acquainted with the business of commerce, whether, as a general rule, sellers are not more anxious to sell, than buyers are to buy? and whether sellers are not more likely to fall in their demands, than buyers are to rise in their offers?

I say, then, that the duty of five cents a pound, or two hundred and fifty thousand dollars in gross on coffee, is an additional charge of that amount upon the production, which must be equally shared by the producers and consumers, and therefore an

additional duty of twenty-five per cent. upon an article of consumption, the whole of which is of foreign production, will raise the price of that article to the consumer at most, but twelve and a half instead of twenty-five per cent.

This then being the case, with regard to an article of consumption, the whole of which is of foreign production, how will it be with regard to an article, a part of which is of domestic, and a part of foreign production?

Suppose there is no duty on woollen goods, and that the United States annually consume woollen goods to the amount of twenty millions of dollars, and that ten millions are of domestic, and ten millions of foreign manufacture. Government lays an impost of twenty-five per cent. *ad valorem*, equal to two millions five hundred thousand dollars on the foreign article. The question is, how much will this duty increase the price of woollen goods upon an average in our market? How much will it enhance the price to the consumer? Twenty-five per cent. on ten millions of dollars, the amount of the imports is equal to twelve and a half per cent. on twenty millions, the amount of the consumption.

An impost of twenty-five per cent. on one half of the consumption of the country, (which by the supposition is the amount imported) certainly is no more, than an additional charge of twelve and a half per cent. on the whole consumption of the country; and I can see no reason why, under any

circumstances, the whole consumption of the country should be charged with any thing more than the additional expense which the impost imposes, upon the production.

But I deny that the consumption of the country is burdened with any thing like even this additional expense, in consequence of an impost of twenty-five per cent.

We have already seen that when the whole article is of foreign production, as in the case of coffee, one half of the burden which an impost imposes, must be borne by the producers, and the other half by the consumers, and consequently an impost of twenty-five per cent. will only increase the price of the article to the consumers twelve and a half per cent., and for the same reasons, I now maintain, that where one half of the article consumed is of domestic, and the other half of foreign production, a duty of twenty-five per cent. on the foreign article alone will raise the average price of the whole consumption, both domestic and foreign, only six and a quarter per cent.

All admit that the domestic and foreign article of the same quality, must bear the same price in the same market. The foreign article must fall to a level with the domestic, and the domestic must rise to a level with the foreign. A duty of twenty-five per cent. on one half of the consumption is an additional charge of only twelve and a half per cent. on the whole consumption, and the question is, who

shall bear this additional charge of twelve and a half per cent. I say it must be shared equally between the producers and the consumers—this is the natural consequence of mutuality between the buyer and seller—the necessary consequence of the laws of supply and demand. If the manufacturer or producer has the power and the right to put his own price upon his goods, the buyer or consumer has an equal right, and power, not to buy at all, or to buy at his own prices. I go further and say, that except for the absolute necessaries of life, the producer is ordinarily pressed by a stronger necessity or motive to sell, than the consumer is to buy, and therefore the latter will have the most influence on the bargain, and consequently upon the price.

An impost, therefore, of twenty-five per cent. ad valorem upon an article, one half of which is of domestic production, will raise the price of the whole consumption of the country only six and a quarter per cent., and this increase of price will be reduced in proportion as the domestic production of the article increases.

In corroboration of this theory I appeal to the practical effects of the various tariff laws that have been passed by Congress. Where an article is extensively manufactured in the country, no tariff has ever produced any perceptible effect upon the price of the article. Indeed, it is impossible in the nature of things, that a tariff should have the effect of causing a permanent enhancement of the price

of an article of extensive consumption. As a general rule, the consumption of a nation equals its production—its expenditure equals its revenue, or in other words, it buys and consumes all it has the means of paying for. If then the price of a given article be materially enhanced, the nation must either buy and consume less of that article, or it must buy and consume less of some other article, because the nation's means being limited, it cannot continue to buy and consume the same quantities of the necessaries and comforts of life, at enhanced prices.

Any considerable increase of the duty upon an article wholly of foreign production, would undoubtedly affect the price so as to render it perceptible, but even this increase of price, would be caused, as much by the erroneous calculations of merchants, as to the effect of the duty, as by the duty itself. The popular calculation would be, that the article would rise in price, the full amount of the additional duty, and the merchants would hold on, expecting to realize that advance, and in this way the article would be kept above its proper advance for a short time; but this mistake would soon be corrected, and the article would fall to its proper advance, which would be one half the amount of the duty.

The power of production in the world is much greater than the capacity for consumption, and hence there is a constant tendency in the supply to

exceed the demand. Hence the uniform tendency to a reduction in the price of all articles, especially those which the ingenuity and power of man can multiply indefinitely. This being one of the laws of nature, the permanent effect of a tariff of ever so great a per cent. never can be, to raise the price of an article of domestic production. The tendency of a tariff is to keep the market at its present price, by excluding a portion of the foreign article, until the domestic supply comes up to the demand, which can never be at a very distant period, (unless there is some natural impediment to the production in that particular country,) and when this comes to be the case, then prices commence again to fall. The different tariffs passed by Congress have never afforded any encouragement to domestic manufactures, by raising the price of the domestic article above what it was at the time the tariff was passed. These tariffs have protected domestic manufactures by excluding a portion of the foreign article, and thereby enabling the domestic manufacturer to sell his products at present prices, instead of selling them at reduced prices. The effect of a tariff is to prevent prices from falling so fast as they would fall, but for the tariff. No tariff for protection ever has been, or probably ever will be, high enough to enhance the prices of the domestic product.

It may, perhaps, be asked why it is, that the manufacturers are so zealous for an increase of the tariff, if an impost has so slight an effect upon the price of their goods?

Two answers may be given to this inquiry.

1st. The manufacturers are not themselves generally aware of the slight effect, which an impost can, in any case, have upon the price of their goods in our market—they anticipate much greater effects from such measures, than they can possibly produce, and their zeal is in proportion to their anticipations.

2d. Although a tariff may have little or no effect upon the price of commodities, yet its effect upon the prosperity of the country may be very extensive and very salutary. An additional price of a million, or even of five millions of dollars, to the ordinary expenditure of the country, when paid to our own citizens, may be of very little consequence to the nation, yet the exclusion of that amount of foreign goods, which shall at the same time, afford an additional market for that amount of domestic products, will have a very great and a very salutary effect upon the whole country. With those therefore who understand the subject, the object of an additional impost is not so much for the purpose of raising the price of goods, as it is to afford a market at present prices.

It may perhaps be asked also, how it is possible for the English manufacturers to send their goods to our market, under a tariff averaging more than twenty-five per cent. ad valorem, if in point of fact the duty paid on the goods, enhances their price in our market in so very trifling a degree. We have

been told, and we admit the fact to be so, that cotton and woollen goods can be manufactured in this country, very nearly as cheap as in England. There is no great difference in the price of labour in the two countries, and at any rate, where machinery is extensively used in the manufacture of an article, the difference in the price of labour is not great enough to make any material difference in the expense of manufacturing the goods. How then can an English manufacturer pay a duty of twenty-five per cent. on his goods, and still sell them for so small an advance in our market.

The thing is to be explained in this way. The annual production is somewhat greater than the annual consumption—the supply is greater than the demand—there is therefore a surplus every year, which must be sold at reduced prices, or be entirely lost to the manufacturer. This surplus is sufficient to supply a great portion of the American market, and it is better for the manufacturers to lose the amount of duty on it, than not sell it at all. Although therefore the same kind and quality of goods should be manufactured in the United States in sufficient abundance to supply our market, as cheap as they can be manufactured in England, still large quantities of English goods will be sent to our market, although burdened with an impost of twenty-five or thirty per cent. in addition to the cost of manufacture. There is not a cotton or woollen manufacturer in England, that could afford to send

all their goods to our market under the present tariff, and yet every manufacturer in England, may find it for his advantage, to send a few per cent. of his annual production to our market, under even a higher duty than the present one. The question we have to determine is, which is the best policy for us, to secure a constant and regular supply of goods from our own manufacturers, at fair prices, by securing to them our own market, or trust to the chance of being supplied from the surpluses of the English manufacturers, at less than the cost of manufacturing and importing the goods.

One of the principal objections, of those who oppose the encouragement of domestic manufactures, by an increase of impost is, that it will have an injurious effect upon the revenue.

It is a sound maxim of political economy, that the imports of a nation, must and will ultimately about equal its exports—every merchant who exports a cargo of goods, expects, and ordinarily receives, an equivalent for them—this equivalent must be imported, and the amount of the revenue which the government will receive from the importation, will be in proportion to the rate of impost. If the duty therefore is fairly paid, the higher the impost, the greater the revenue. Unless a high rate of duties then, has the effect to diminish the exports, it never can have the effect to diminish the revenue, but on the contrary, will augment it. A high tariff or a prohibitory duty, on cotton and

woollen goods, may diminish the revenue on cotton and woollen goods, but if proper care has been taken, to lay a sufficient duty on all other importations, it will augment the revenue on other goods, unless the value of our exports is diminished. What probability is there, then, that a protective duty, which will have the effect to augment the annual product of a nation's industry, will diminish the value of its exports?

It is no doubt true, that the proportion of our exports to our production is every year diminishing, and has been rapidly diminishing, for many years past; and no doubt will continue to diminish, perhaps forever; but the amount of our exports has not diminished, and probably never will diminish; and of course our revenue from imposts will never be diminished unless the average rate of duty shall be reduced. In other words, although the gross amount of our exports is greater now than it was twenty years ago, and probably will be greater twenty years hence than it is now, yet we do not export so great a proportion of the annual product of the nation's labour now as we did twenty years ago, and probably shall not export so great a proportion of it twenty years hence, as we do now; but all the nation wants of a revenue from imposts, is enough to defray the expenses of government; and as the expenses of our government are not likely to increase in a greater ratio than the amount of our exports, there is no danger that the revenue from

imposts will not always be fully adequate to the purposes for which it is intended.

Some politicians seem to suppose that the test of national prosperity is the proportion which the exports bear to the annual product of labour; and that the greater this proportion, the greater the prosperity. This is most certainly a fallacious mode of estimating national wealth and prosperity. The newest and most unimproved country always exports the greatest proportion of its production, and of course imports the greatest proportion of its consumption, but it will hardly be pretended, that the newest and most unimproved countries enjoy the greatest degree of prosperity and wealth.

It being established then that the producers and consumers share an impost duty between them, it follows that, as a large proportion of the duties is paid by foreigners, it is the true policy of the country to keep up a high tariff on foreign goods.

It also follows, that if the English tariff on American goods is higher than the American tariff on English goods, then the people of the United States contribute more towards the support of the English government than the people of England contribute towards the support of the United States' government.

THE END.

THE BANKRUPT LAW, FISCAL AGENT AND AUCTION DUTIES

[1841?]

THE BANKRUPT LAW,

THE

FISCAL AGENT, .

AND

AUCTION DUTIES.

BY DANIEL RAYMOND.

THE BANKRUPT LAW.

What necessity was there for Congress to pass the so-called Bankrupt Law?

To answer this question correctly, it is necessary to ascertain what was the state of the law and the condition of insolvent debtors before the law was passed.

From the adoption of the Constitution up to 1819, a period of thirty years, all the State Governments passed insolvent laws, and discharged their insolvent debtors, without its ever being suspected by anybody that they had not a right to do so. The people, who adopted the Constitution, and who best knew in what sense they adopted it, never suspected that they had by that instrument restrained their State Legislatures from dealing with their insolvent debtors. No politician, judge, lawyer, or creditor, all of whom were parties to the Constitution, and knew in what sense they adopted it, ever suspected that the Constitution restrained the State Legislatures from passing insolvent laws.

In 1817, the case of Sturgis vs. Crowningshield originated in the United States circuit court for the district of Massachusetts, and then, for the first time it would seem, some Boston lawyer conceived the notion that the State insolvent laws were unconstitutional.

The judges of the circuit court were divided in opinion in that case, and it was certified to the Supreme Court for decision. Sturgis, the defendant, had been discharged under the insolvent laws of New York, but, being afterwards caught in Massachusetts, his creditor sued him in the United States court.

It so happened in this case that the New York insolvent law was passed subsequent to the date of the contract upon which the defendant was sued; and upon this ground the court decided that the discharge was invalid, and the law unconstitutional in regard to this contract, because it impaired its obligation.

It is true, that in the case of Baker and Wheaton, decided in Massachusetts in 1809, Chief Justice Parsons, in an extra-judicial opinion, pronounced the State insolvent laws unconstitutional against creditors not residing in the State. It is therefore probable that Judge Parsons is entitled to the honor of first conceiving this Boston notion. The facts upon which the learned judge predicated this opinion did not exist in the case; it was therefore wholly an extra-judicial *obiter* opinion, and entitled to no weight as an authority.

Thus stood the law until the case of Ogden and Saunders was brought before the Supreme Court in 1827. In that case, Ogden, the defendant, had also been released under an insolvent law of New York; but the contract was made subsequent to the passage of the law. Saunders, the plaintiff, was a resident citizen of Kentucky at the time of the release. Ogden afterwards removed to New Orleans, and was there sued in the United States court. He plead his discharge in bar, and the court gave judgment for the plaintiff; and the case was brought to the Supreme Court by a writ of error.

The court, in giving their opinion in this case, established, or attempted to establish, two points or propositions:

1st. That the State insolvent laws are constitutional in regard to all future contracts between citizens of the State.

2d. That when the creditor resides in another State, the discharge under the law (and of course the law itself) is unconstitutional. These two decisions of the Supreme Court constitute the whole necessity for passing the so-called bankrupt law.

Now, let us contrast these decisions with the 4th article of the Constitution, section 1st: "Full faith and credit shall be given in each State to the public acts, records, and judicial proceedings of every other State. And the Congress may by general laws prescribe the manner in which such acts, records, and proceedings, shall be proved, and the effect thereof."

The man who can reconcile the decision of the Supreme Court in the case of Ogden and Saunders with this section of the Constitution must have more skill in dialectics than I possess. Is not *full faith and credit* precisely equivalent to *full force and effect?* And did the court give *full force and effect* to the *public act;* that is, the insolvent law; and the *judicial proceedings;* that is, the discharge of Ogden, in the State of New York?

If this section of the Constitution means any thing, it means that whenever a law of a State, or the judgment of a State court, becomes the subject of judicial cognizance in another State, they must have the same *force and effect* that they would have in the State that passed them. The court itself says the law was constitutional in the State of New York; and the Constitution says, that if constitutional in the State of New York, it shall also be constitutional in every other State. If this be not its meaning, I am wholly incapable of attaching any meaning to the words *faith and credit.* It must be "faith without works," which St. Paul tells us "is a dead faith." But shall we impute such trifling to the framers of the Constitution and to the people who adopted it? Surely not. *Faith and credit* mean a living faith—a faith with works.

Judge Johnson, who pronounced the judgment of the court in the case of Ogden and Saunders, says: "The question now to be considered is, whether a discharge of a debtor under a State insolvent law would be valid

against a creditor or citizen of another State, who has never voluntarily subjected himself to the State laws otherwise than by the origin of his contract.

"As between its own citizens, whatever be the origin of his contract, there is now no question to be made on the effect of such discharge; nor is it to be questioned that a discharge not valid under the Constitution in the courts of the United States is equally invalid in the State courts. The question to be considered goes to the invalidity of the discharge altogether, and therefore *steers clear* of that provision of the Constitution which purports to give validity in every State to the records, judicial proceedings, and so forth, of each State."

Now, with all due deference, I would ask, what right the Supreme Court, or rather Judge Johnson, had to *steer clear* of the Constitution in this case. The case comes within both the letter and spirit of the Constitution; and if the court had a right to *steer clear* of it in this case, they have a right to *steer clear* of it in every case, and reject it altogether.

Judge Johnson first delivers a powerful argument in favor of the constitutionality of the State insolvent laws, and a majority of the court pronounce them to be constitutional. And now the learned Judge says "the question to be considered goes to the invalidity of the discharge altogether." If this be not a contradiction, then I know not where to look for a contradiction.

The Supreme Court, and Judge Johnson in particular, seem to have adopted the opinion, that a citizen of the United States is a citizen of some particular State, and not of all the States. This I hold to be a gross error, and wholly unconstitutional.

The Constitution (see article 4) says: "The citizens of each State shall be entitled to all the privileges and immunities of citizens in the several States." This clause makes a citizen of the United States a citizen not merely of one particular State, but of each and every State in the Union. Residence is not necessary to citizenship. A man may be a resident in one State and a citizen of all the States, upon the same principle that a man may reside in England and be a citizen of the United States.

The object of the framers of the Constitution, and of the people who adopted it, was to root up the spirit and exterminate the principle of alienage, and make us one people. But the Supreme Court seem disposed to scatter the seeds of alienage, and to cultivate the noxious plant.

If all the privileges and immunities of a citizen do not make a citizen, I am at a loss to know what would. It is true that a non-resident citizen has more privileges than a resident citizen. He has the privilege of suing in the Supreme Court; but having more privileges than a citizen does not make him an alien; and a man must either be a citizen or an alien, for he certainly is not a denizen.

The following quotation from Judge Johnson's opinion will show how strongly his mind was tinctured with the spirit of alienage:

"Every bankrupt or insolvent system in the world must partake of the character of a judicial investigation. Parties, whose rights are to be affected, are entitled to a hearing. Hence every system, in common with the system now before us, professes to summon the creditors before some tribunal, to show cause against granting a discharge to the bankrupt.

"But on what principle can a citizen of another State be forced into the courts of a State for this investigation?"

This formidable question is easily answered. He is forced into a State

court, upon the principle that he has agreed to be forced, by adopting the Constitution, which authorizes his debtor to force him if he *chooses to come;* upon the same principle that every other citizen is liable to be forced into a court of justice against his will.

Had Judge Lynch been Chief Justice of the State of New York, the learned Judge could scarcely have shown more distrust and repugnance to the court. And I humbly submit whether it becomes the Supreme Court to inculcate such distrust and repugnance to the State courts among the people.

The Supreme Court, and especially Judge Johnson, seem also to suppose that the States of the Union are foreign independent States as regards each other; and that their relations and intercourse are to be governed by international law or the laws of nations. Hence the court (at least in the case of Ogden and Saunders) seem to have rejected the Constitution, and substituted the laws of nations in its place. They *steer clear* of the Constitution, and quote Hubner, Vattel, and other writers on the laws of nations.

This I also hold to be a gross error. The States of this Union are sovereign States it is true, but not independent sovereign States. They possess no national sovereignty, for the simple reason that they are not nations. They are subordinate to the Constitution of the United States and the laws of Congress; and the relation that exists between them is to be ascertained by the Constitution, and not by the laws of nations. The principles of international law, *as such*, have no application to the States of this Union. Their relations are mostly regulated by the 4th article of the Constitution.

This article seems not hitherto to have been duly appreciated, either by Congress or the Supreme Court. They seem to have considered it merely as a provision for certifying records from one State to another. This is a very paltry matter, compared with the intent with which it was inserted in the Constitution. If required to point out the article in the Constitution which reflects most credit on the convention, as profound far-seeing statesmen, I should point to this very article. The simplicity of its language, the grandeur of its principles, and their efficiency when carried out, are above all praise. It is the cement of the Union, and makes us one people. It makes a citizen of one State a citizen of all the States. It secures harmonious action among all the State Governments, and uniformity of decision among all the State courts, by requiring *full faith and credit* to be given in each State to all the constitutional laws and all the constitutional judgments of every other State; and, finally, it guaranties this harmonious action in the States, by requiring Congress by general laws to *prescribe the effect* of such State laws and State judgments in every other State. What profound, what benignant principles! what sublime conceptions! How completely do they extirpate every vestige of alienage, and make us one people! Had this article been duly considered, the judgment in the case of Ogden and Saunders would not have been affirmed by the Supreme Court. Mr. Ogden would not have been denied his constitutional rights.

But do the decisions of the Supreme Court, in these unfortunate cases, constitute any necessity for the so-called bankrupt law? Is there not a better remedy for the evils which these decisions have produced? Has not the Constitution itself provided a different remedy?

The last clause of the above-quoted section is in these words: "And the Congress may, by general laws, prescribe the manner in which such acts, records, and proceedings, shall be proved, and the *effect* thereof."

Congress is here expressly authorized, or more properly required, to prescribe what *effect* the insolvent laws of the different States shall have throughout the United States. The clause must have been inserted for this express purpose.

Had the convention been gifted with prescience, so as to have foreseen the very case of Ogden and Saunders, they could not have provided for it in more appropriate language. An act of four lines would comply with the requisitions of the Constitution, and remedy the whole evil, and restore to the States the full possession of all their sovereignty.

The State Legislatures can pass insolvent laws, and administer them, much better than Congress. Then let such an act be passed, and the so-called bankrupt law repealed. Such an act ought to have been passed immediately on the decision of the case of Ogden and Saunders, or rather Sturgis and Crowningshield.

The two cases of Sturgis and Crowningshield and Ogden and Saunders were most unfortunate cases for the people of this country. They have had a disastrous influence on multitudes of unfortunate debtors, and have very much embarrassed Congress and the whole country.

That the decisions in these cases, especially that of Ogden and Saunders, is not in conformity to the Constitution, there cannot, it appears to me, be a doubt; but, even if there was a doubt, the State Legislatures ought to have had the benefit of that doubt. All presumptions ought to be taken most strongly in favor of State sovereignty. The States ought not to be deprived of their sovereignty by ingenious metaphysical reasoning and wire-drawn arguments. If the States are to be reasoned out of their sovereignty in this manner, they will soon have a narrow field to operate in. The Supreme Court will soon weave a web about them that will as effectually restrain their action as a straight-jacket.

There is a clause in the Constitution which prohibits the States from passing "ex post facto laws, and laws impairing the obligation of contracts;" and it has been supposed that the convention intended, by that clause, to prohibit the States from passing insolvent laws.

The counsel in the cases of Sturgis and Crowningshield and Ogden and Saunders, instead of discussing the great principles of the Constitution applicable to the cases, set themselves to work to dissect a contract, for the purpose of finding out where its obligation lay—whether it was external or internal—whether the *obligation* was of the essence of the contract, or something superinduced upon it by the laws of the State. The *se offendendo* argument of the grave-digger, in Hamlet, would have answered about the same purpose; and yet the court condescended to consider these arguments!

Now, it is impossible ever to know what the convention meant by the above-quoted clause, nor is it important that we should know. The question is, what did the parties to the Constitution mean? what did the people mean by it?

It may not be possible to ascertain, to a certainty, what the people meant by this clause; but we are able to ascertain, to a perfect certainty, what they did not mean. We know, from the unanimous testimony of the whole people, that they did not mean to restrain the State Legislatures from passing insolvent laws, which should operate upon existing as well as future contracts. All the State Legislatures passed insolvent laws, both general and special, up even to the present day; all the State courts ad-

ministered them; all the creditors, for whose benefit the clause is supposed to have been inserted in the Constitution, submitted to them, without suspecting they were unconstitutional. This amounts to conclusive proof that this clause was not adopted in that sense.

The argument in the case of Sturgis and Crowningshield proceeds upon the ground that contracts are absolute and unconditional where no condition is expressed. But every body knows that all contracts, made on time, are conditional. No man, in his senses, ever entered into an absolute, unconditional, executory contract. What is man, that he should say, *I will*, in an absolute, unconditional sense? Hence, every executory contract depends on implied conditions, which the parties cannot express, because they cannot foresee the contingencies that may happen. These conditions do not depend merely upon the ability of the party to perform. His ability to perform must not be incompatible with paramount duties. There is an abiding obligation on every man, to provide his children with bread, paramount to any obligation he can incur to pay a debt.

The court seem to have been aware of the extreme to which they carried the binding obligation of contracts in the case of Sturgis and Crowningshield; and they attempted to correct their error in the case of Ogden and Saunders. Hence they decide, that, when there is an existing insolvent law in a State, all contracts are made with reference to the law, and the law becomes an implied condition of the contract; but where the contract precedes the law, it cannot become a condition to the contract, and is therefore unconstitutional, because it impairs its obligation. This is a mere make-shift, to get out of a difficulty without acknowledging error.

If an existing law may become a condition to a contract, why may not an existing Constitution become a condition to a contract? It requires no greater stretch of the imagination to suppose that the power to pass an insolvent law becomes a condition to a contract, than to suppose the law itself becomes a condition to the contract. The truth is, these decisions can no more be reconciled with each other than with the Constitution; and if they are to be acquiesced in, and the principle carried out to its legitimate result, the consequences are a little alarming. The language of the Constitution applies to marriage contracts as well as to money contracts; and if a State Legislature cannot impair the obligations of an existing contract, all the bills of divorce passed since the Constitution was adopted are void.

Finally, to suppose that the people intended to restrain themselves from passing insolvent laws, with reference to existing as well as future contracts, would be to suppose they were retrograding to a state of barbarism.

What, then, did the people mean by this celebrated clause? Although we may not be able to ascertain this to a certainty, yet I think a very important meaning may be given to it, without applying it to the State insolvent laws.

This clause was probably inserted in the Constitution for a similar reason that the 5th article was inserted in the treaty of 1783. It is well known to all who are acquainted with the history of this country from the close of the revolutionary war to the adoption of the Constitution, that the most exciting topic of that period was the British debts. They were the subject of complaint and of diplomatic correspondence after the Constitution was adopted. It is therefore probable that both the convention and the people intended by this clause to restrain the State Legislatures from passing any law that should impair or prevent the collection of these debts, when the debtor was

able to pay them; but it was not intended to prohibit the States from discharging these debtors by an insolvent law, when unable to pay them. The clause was put in general terms, for the purpose of applying to all debts of a like character, in case of another war with England or any other nation. This was just and proper, and creditable both to the convention and to the people; and this is probably its true meaning.

Having inquired into the necessity of the so-called bankrupt law, let us next inquire into its character.

Is the late act passed by Congress a bankrupt law? That a very small part of it is a bankrupt law will not be denied; but I greatly mistake if ninety-nine parts in a hundred of it cannot be demonstrated to be an insolvent law.

I have the authority of the Supreme Court, in the case of Sturgis and Crowningshield, for saying that there is a distinction between bankrupt laws and insolvent laws. The court say:

"The subject is divisible in its nature into bankrupt laws and insolvent laws, though the line of partition between them is not so distinctly marked as to enable any person to say, with positive precision, what belongs exclusively to the one and not to the other class of laws."

As the court, then, confess their inability to draw the distinction, I trust they will excuse me in assisting them to draw it.

A bankrupt law is a creditor's law, made for the benefit of creditors, put in operation at the instance of a creditor, against the will of the debtor, who has been guilty of an actual or legal fraud.

An insolvent law, on the contrary, is a debtor's law, made for the benefit of honest debtors, put in operation at the instance of the debtor, who is either actually in prison or in the custody of the sheriff.

If these are correct definitions of the two laws, there can be no excuse for confounding them; for the distinction between them is as broad as the distinction between honesty and fraud, or volition and repugnance; nor is it in the power of either Congress or the Supreme Court to obliterate the distinction by calling an insolvent law a bankrupt law.

Let us, then, examine whether these definitions are correct. In every case of bankruptcy there must be a commission of bankruptcy. This commission is always granted on the application, to the chancellor or some judge, of a creditor, who must make oath that his debtor has committed some act of bankruptcy; that is, committed some act of fraud, either in fact or law, for the purpose of defrauding or eluding his creditors. The object of the commission is to ascertain the fact whether an act of bankruptcy has been committed or not. The debtor has a right to appear before the commissioners, and disprove or controvert the allegation of the creditor. If the fact be established, or is not disproved, the commissioners execute a deed, and transfer all the debtor's property to assignees or trustees, for the benefit of the creditors. All is done *nolens volens* the debtor.

At the conclusion of the proceedings, a certificate of discharge is granted to the debtor. In this particular a bankrupt law and an insolvent law are alike; but to say that two things are the same, or that there is not a distinction between them, because they resemble each other in one particular, is as illogical as it would be to say there is no distinction between an ox and a horse, because they resemble each other in many particulars.

It is true a debtor may be a voluntary bankrupt in England, without

being guilty of an actual fraud; but this can only be done by collusion with a creditor, and a technical or legal fraud.

One of the acts of bankruptcy in England is a debtor's secreting or denying himself when sought for or called on by his creditor. If, then, he wishes to be declared a bankrupt, he goes and agrees with his creditor to call on him at a certain time; and then he shuts himself up in his own house, and tells his servant to say he is not at home when his creditor calls. The creditor calls. The servant tells a lie, or says his master is not at home; and straightway the creditor goes to the Lord Chancellor, makes the necessary affidavit, and a commission is granted.

Now, this is all collusion and fraud, venial, it is true, but rendered necessary, because there is no insolvent law to which an honest debtor can resort. This shows how necessary it is that the laws should in theory conform to the business affairs of life, and not compel honest men to resort to subterfuges to get round an inconvenient law.

Now, the proceedings under an insolvent law are entirely different. An honest debtor, finding himself embarrassed and unable to pay all his debts, voluntarily applies to the proper court for the benefit of the law. He executes a deed himself, and conveys all his property to a trustee appointed by the court for the benefit of his creditors, and, complying with the requisitions of the law, he is discharged from all his debts.

Now, if there be not only a clear distinction, but an irreconcilable difference, between these two laws, then I am incapable of comprehending what makes a distinction.

In the case of Sturgis and Crowningshield, the Supreme Court, or rather Judge Marshall, says:

"Should Congress authorize a commission to issue on the application of a debtor, a court would hardly be warranted in saying that the law was unconstitutional, and the commission a nullity."

Should Congress pass so absurd a law, I think a court would not only be warranted in saying the "commission was a nullity," but they would be warranted in going much further, and saying that Congress were a set of blockheads.

What would be the use of a commission, when the debtor admits himself to be insolvent, and is ready and willing to execute a deed of his property for the benefit of his creditors? The object of the commission is to ascertain the fact, whether a debtor be a bankrupt, or, if you please, an insolvent; but, if he admit the fact, there is no more use for a commission than there would be in swearing a jury to try a cause after the defendant had confessed judgment, or a prisoner plead guilty on his arraignment.

The gravamen of a bankrupt law is *fraud*—the gravamen of an insolvent law is *integrity;* and when Congress shall succeed in confounding integrity and fraud, then it may succeed in confounding a bankrupt law with an insolvent law.

It is very true that an honest man may be declared a bankrupt in England, and a dishonest man may take benefit of an insolvent law; but in contemplation of law this is not the fact; and it is the character of the law that we are inquiring into, and not the character of debtors.

But, under the late act of Congress, a commission of bankruptcy cannot issue unless the debtor has been guilty of an actual fraud.

thorize a commission to issue at the instance of the creditor: 1st, absconding; 2d, making a fraudulent conveyance of his goods; 3d, concealing them for the purpose of defrauding his creditors.

Now, let us see, according to the above distinctions, how much of the act of Congress is a bankrupt, and how much an insolvent law.

No creditor will ever apply for a commission of bankruptcy against an absconding debtor, for the simple reason that he has a better remedy by attachment. If an absconding debtor has left any property behind him, a creditor may attach it for his own exclusive benefit. He would, therefore, be a great fool to sue out a commission of bankruptcy, upon which he would only be paid *pro rata* with the other creditors. If he has left no property behind him, the commission would be useless.

Now, the number of commissions of bankruptcy that will issue against debtors that have made a fraudulent conveyance of their goods, or secreted them, will be very small.

All the rest of the law is an insolvent law.

The bankrupt part of the law, therefore, bears about the same proportion to the whole law that a barleycorn bears to a bushel.

The Supreme Court intimate, and there is a numerous sect of politicians in this country who believe, that Congress has no power to pass an insolvent law, because the Constitution contains no specific grant of power for that purpose. Now, although I do not hold to that doctrine, but believe that Congress can pass an insolvent law, if it thinks it expedient to do so, yet I hold it to be wholly inexpedient for Congress to pass an insolvent law, for the reason that the States can pass and administer such laws much better than Congress.

But should Congress think it expedient to pass both an insolvent law and a bankrupt law, then they ought to pass two separate acts, under their appropriate titles and names, so as not to subject an honest insolvent debtor to the opprobrious appellation of a bankrupt.

THE FISCAL AGENT.

What are the merits and demerits of this measure?

Its merits are great and its demerits numerous. Let us consider them a little in detail.

The grand object of the measure is to perform the duty of the Government in regulating the currency, by furnishing the nation with a safe and convenient medium of exchange. This object is to be accomplished by collecting the revenue of the Government in gold and silver, and disbursing it either in specie or Treasury notes, at the option of the public creditor. If the creditor take the notes in preference to the specie, which he would do ninety-nine times in a hundred, then the Government becomes the depository of the specie, for the benefit of whoever may hold the notes. The notes in circulation would thus be the exact counterpart of the specie in the Treasury; and when the notes are returned to the Treasury the specie is paid out, and not before.

The custody and safe keeping of the specie is no benefit to the Government, but merely a duty performed for the convenience and accommodation of the public. The Government is therefore ready and willing, at all times, to be relieved from this duty, by exchanging the specie for the notes.

The specie is not the property of the Government, but of the persons who hold the notes; and the Government cannot, therefore, deal with or dispose of this specie, without being guilty of a breach of trust or embezzlement.

The scheme thus far requires no machinery—no dealing—no accountants or book-keepers, more than are at present attached to the Treasury Department. When a public creditor is paid in notes, although the debt is liquidated, yet the specie becomes a special deposite with the Government, which it is bound to keep safe till the notes are returned to the Treasury, and then to exchange the specie for the notes. Now, all this is simple, safe, and convenient, and requires no machinery. There is no trafficking or dealing, and, of course, no risk or hazard, either to the Government or the note holders, except the risk which the note holder runs, that the Government will embezzle or steal the money; but, if either the public creditor or the note holder should think there is any danger of this, they need not take the notes in the first instance, or they may exchange them for the specie at their pleasure, both of which would be an accommodation to the Government, as they would relieve it from the trouble and risk of safe keeping the money. The Government would be the depository, therefore, of such only as were willing to trust it.

Now, one objection to the Secretary's scheme is, that it limits the issues of Treasury notes to $15,000,000. The issues ought to be co-extensive with the disbursements, provided the public creditors choose to receive them in preference to specie. Why should one creditor be paid in Treasury notes, and another be compelled to take specie or something else? The Secretary has given no reason for this partiality, and I presume he can give none.

Again: the Secretary proposes to receive deposites of gold and silver, and issue certificates of deposite, for which he intends to charge a small premium. This I also consider objectionable.

If deposites of gold and silver are to be received, why not issue Treasury

notes for them at once, payable in specie on demand? This would close the transaction, dispense with the necessity of keeping books and accounts, and would not embarrass the community with two currencies, which is an important matter. It would not augment the quantity of money in circulation, because, for every dollar of notes put in circulation, a silver dollar would be withdrawn from circulation.

The idea of getting a premium for these certificates of deposite is utterly nugatory; no man, who has specie, will ever pay a premium for its safe keeping. If he is not willing to keep it himself, there are banks enough that will keep it for him without a premium, or perhaps pay him a premium for keeping it. To suppose there is no place of safety for money but the Treasury and its agencies, is to suppose a degree of public depravity wholly incompatible with the maintenance of civil government and the social system.

But there is a stronger objection to this part of the plan. Should the Government authorize the immediate exchange of Treasury notes for specie, it would bring every specie-paying bank in the country into close order in double quick time. Every man who had a note of a specie-paying bank would immediately draw the specie, take it to the Treasury, and exchange it for Treasury notes; and thus every bank that had more notes in circulation than it had specie in its vaults would be wound up in less than sixty days This operation would be a little too severe; it would be giving us a sound currency a little too rapidly; or, more probably, it would, by compelling the banks to suspend, entail shinplasters upon us until the banks were forced into liquidation. This part of the plan must not, therefore, be adopted until the banks have had sufficient notice to prepare for it.

The Treasury note system is destined to break up the banking system, as at present constituted, altogether. The two systems cannot exist together in the same country; but so great a revolution must not be brought about too rapidly; time must be given to the country to prepare for it.

Another objection to the Secretary's scheme is, that it proposes to make the notes payable only at the agencies where issued.

This is altogether wrong. There must be branches of the Treasury at the most important points of collection and disbursement of the revenue. These branches must be furnished with Treasury notes at first from the Treasury at Washington; afterwards they will be supplied in part from the collectors of the customs. These notes must be made payable on their face only at the Treasury in Washington, but in practice they will be exchangeable for specie every where. They are equivalent to specie, and will be preferred to specie every where, for their convenience; they will be a legal tender to the Government by every body.

Suppose the collector at New York receives five hundred thousand dollars in specie, and exchanges that specie for Treasury notes. The Government calls on him to settle, and he tenders the Treasury notes; has the Government any right to ask him what he has done with the specie? Surely not; and so with every other public agent, whether he be a collector or a disburser of the public revenue. These notes, therefore, although payable on their face at one particular place, will, in practice, be convertible into specie at every place. The demands on the Treasury at Washington, for specie, will be very small, because every man who has the notes, and wants specie, can get it in New York, Philadelphia, or New Orleans, as well as at Washington.

But the grand objection to the Secretary's scheme is the exchange part of it: that part which proposes to convert the Treasury into a broker's or money changer's office, through the instrumentality of the Fiscal Agent. It is for this part of the plan that all the machinery is wanted, and the greater part of the expense to be incurred. Upon this part of the plan the Secretary's reasoning is very unsatisfactory, and often contradictory. His mind is foggy, and his perceptions very indistinct. It appears to be in a kind of chrysalis state, in its passage from the old banking credit system to the new Treasury note currency system. He cannot bear the idea that the "public money should be locked up from all use, from its collection to its disbursement." He wants the money to be at work, earning an interest or making a profit; and he is therefore for setting it to dealing in exchange.

There is a palpable contradiction in his scheme; for he insists repeatedly, and with emphasis, that the notes in circulation shall have an actual specie basis; which means, if it means any thing, that for every dollar in circulation there shall be a specie dollar in the Treasury to redeem it; yet his bill provides that "it shall be the duty of the said board of exchequer, and each of its several agencies, at all times so to limit its issues that its gold and silver on hand shall be equal to one-third the amount of such issues outstanding."

Now, if there are to be three dollars of notes in circulation for one dollar of specie in the Treasury, what becomes of the *actual specie basis?* Is not this the old banking credit system of *three for one?* Is not here an authority to expand the currency to an enormous extent, upon the credit of the Government?

This part of the scheme is at war with all the Secretary's reasoning about a sound currency, and is ten times worse than the old banking system. And what is all this for? Not for the purpose of revenue, for that the Secretary disclaims; but for the purpose of paying *some of the expenses* of the Fiscal Agent! Better crush it in embryo, and prevent the monster from ever seeing the light of day.

The Secretary thinks it a great evil that the public money should be locked up from all use from its collection to its disbursement. Thus he says: "But if, after all, it be regarded as possible that occasional losses may happen from dealing in exchange, with the limitations provided in the bill, it will then be for Congress to decide whether a danger so contingent shall induce it to reject the bill, and to prefer a system which locks up from all use every dollar of the public money, from its receipt to its disbursement. As the evil of withdrawing so great a portion of the circulation from the general uses of society, by retaining it till wanted for disbursement, is manifestly a great evil, especially if the funds withdrawn be in the precious metals, it ought not to be suffered to exist, unless the danger from the adoption of another system be equally manifest."

Now, does the Secretary really think it a great evil that this money should be thus locked up from all use, from its receipt to its disbursement? If he does, he is the first Secretary that ever thought so; nay, more, he is the first man in the nation that ever thought so. What the great evil is, the Secretary does not condescend to tell us; and although he says it is *manifest*, yet I am unable to perceive it, or to imagine what it is.

But let us see, in the first place, what amount of money would be thus *locked up.*

The surplus in the Treasury fluctuates from a half a million to two or

three millions of dollars. When there is an extraordinary revenue from loans, it may amount to three millions for a short time; but I presume a million and a half would be a liberal allowance for the average surplus from the ordinary revenue.

Now, does the Secretary think this too large a sum to be *locked up*, ready to meet contingencies arising from a deficit in receipts or other causes? Would it be safe to have a less sum *locked up*, ready to meet these contingencies? And yet this Fiscal Agent is to be established, with all its machinery, for the purpose of making this million and a half earn a profit by dealing in exchange, instead of being locked up! This, I think, is the *ne plus ultra* of the credit system, and will astonish the nation.

But perhaps it is the special deposites which the Secretary considers as public money locked up from all use, and it is this he intends the Fiscal Agent shall employ in dealing in exchange. If he take refuge on this horn of the dilemma, he will jump out of the frying-pan into the fire; and yet it would seem, from his bill, that this is what he means, for he provides that the notes in circulation shall never exceed *three to one* of the specie in the Treasury and its agencies.

The Secretary then proposes that the Government shall collect the revenue in specie or its equivalent; make its disbursements in Treasury notes, and then use the specie, *three for one*, as a capital for the Fiscal Agent to deal in exchange! This would be the old credit system of *three for one* with a vengeance.

Now, this money, thus on deposite in the Treasury, does not belong to the Government, or the nation in the aggregate, but to the note holders; and it ought to be felony for the Fiscal Agent, or even the Secretary himself, to touch a dollar of it, either for the purpose of dealing in exchange or any other purpose but to redeem the notes. The representative of this money is in circulation among the people, earning an interest, making profits, and doing all the duties and performing all the services of money, while the money itself lies snug and safe in the vaults of the Treasury, locked up.

But the Secretary cannot bear to see this money locked up, doing nothing; he wants it to be at work also; he wants it to perform double, nay, triple duty; he wants one dollar of silver to keep three agents, that is, three paper dollars, at work!

But the salvo for all this absurdity is, that the Fiscal Agent is not a bank—not a Government bank! And does this help the matter any? Does the Secretary suppose the banking credit principle is evil, and only evil, because it is used by corporations? If that be his opinion, he is utterly mistaken.

The credit principle, or credit system, by which I mean the basing a circulating medium on credit, (whether public or private, makes no difference,) and not one man's giving credit to another man, is false in itself, and cannot be regulated or modified so as to operate beneficially to the public. In my opinion, private credit is a safer base for a circulating medium than public credit. We have tremendous proof of this in the old continental money, and in the French assignats. If it be unsafe to base the whole circulating medium on credit, it is, *pro rata*, unsafe to base any part of it on credit.

The Secretary says, "the great want of the country is the want of confidence in that which regulates the value of property and the wages of

labor." And does he expect his *three for one* will inspire this confidence? Does he expect the people to believe, that, that which is based upon nothing has a solid foundation?

The Secretary is mistaken in supposing that what the country wants is confidence. The country does not want confidence, but it wants reality. *Confidence* is but another name *for credit*, of which the nation has had a surfeit, and is now suffering the consequences.

We have been trying for fifty years to solve the problem, what part of a paper circulation can be safely based on credit, and by what contrivances can it be made safe? and all our experiments have resulted in disaster, and the public mind is at last forced to the conclusion that specie is the only safe base for a paper circulation, and that the base must be of equal dimensions with the superstructure. This ought now to be received as an axiom of political economy.

It is the fashion of the day, I know, to denounce the banks and their mal-administration as the cause of all the evils that afflict the nation. But this is, to a great extent, wrong. The evil is in the principle, which cannot be administered so as to work for good; and if any body is chargeable with the mischief, it is our Legislatures, who enacted the principle.

The bank officers, as a class, are as respectable, both as to capacity and character, as any other class in the country; they would not suffer in contrast with either the State Legislatures or Congress; and if they cannot be trusted to administer the banking principle, it is useless to look for another class who can. The Secretary has little chance of success in selecting a better class to administer his Fiscal Agent; and as to controlling a vicious principle by "official bonds," he might as well attempt to bind an elephant with cobwebs.

The Secretary seems to think it an important duty of Government to regulate exchanges or the price of exchange, and the Fiscal Agent is to perform this duty. In this I think he is entirely mistaken. It is no more the duty of the Government to regulate exchanges, or the price of exchange, than it is to regulate the price of cotton and flour. Let the Government regulate the currency, so as to make it sound and of uniform value, and the exchanges will regulate themselves—that is, the demand and supply will regulate them, the same as demand and supply regulate the price of every thing else.

Let us inquire a little into this mysterious thing called exchange, which so many people talk about, and so few people understand, and which the Government is so anxious to regulate.

What, then, is exchange? In the common acceptation of the term, it is the giving one thing for another. Every mercantile transaction is an exchange; but this is not its mercantile, technical meaning. Exchange, *par excellence*, means *the giving money in one place for money in another place*. If A has a thousand dollars in Yew York, and B a thousand dollars in New Orleans, and the one sum is given for the other sum, this is exchange, and the order for the transfer is the bill of exchange. This may be an accommodation to both parties, and then neither premium nor discount will be paid.

Again: if A has flour in New York, and B has money in New Orleans, and the flour is given for the money, this is exchange, and the order for the money is the bill of exchange; or if A has neither money nor flour, but has credit with B, he can give his note at sixty days for B's bill of ex-

change on New Orleans; and so there may be an infinite variety of dealings in exchange.

Now, what has the Government to do with these exchanges? What business has it to regulate them? Or suppose a different aspect of the case A has $10,000 of money in New Orleans, which he wants in New York; and B has a thousand bales of cotton in New Orleans, which he also wants in New York. Now, is there any more obligation on the Government to assist A in getting his money to New York, than there is in its assisting B to get his cotton to New York? It appears to me not.

But we hear a great deal about the *ruinous rates of exchange—the dearness of exchange*—and the necessity for the Government to do something to "cheapen exchanges." What is the meaning of all this? Is it fallacy and delusion, or is it reality?

There is a great evil existing, undoubtedly; but the evil is in the currency, and not in the exchanges, or the price of exchange. A exchanges Mississippi money for New York money, or for specie, and pays twenty per cent. discount; or he sells a bill of exchange on Mississippi, payable in Mississippi money, and is charged twenty per cent. discount; and this is the evil; but to cure this evil we want no Fiscal Agent, with power to deal in exchanges. All that is wanting is a Mississippi currency as valuable as New York currency or as specie, and then the exchanges will be *cheapened.* When people, therefore, talk about the *ruinous rates of exchange*, they mean the ruinous rates of discount on a base, depreciated currency; and there are but two ways in which these discounts can be *cheapened*—one is to raise the base currency up to a level with the sound, and the other is to depreciate the sound currency to a level with the base; and in this latter mode the Secretary's *three for one* would probably cheapen discounts, or, as the phrase is, *cheapen exchanges.*

Finally, the main feature of the measure is a great and a good one—the greatest and best that has been submitted to the consideration of Congress in twenty years; and although it is to be regretted that the Secretary should have encumbered and disfigured it with so many relics of the old banking credit system, yet they are not calculated to destroy the utility of the measure. The main principle is so healthful and conservative in its nature, that it will soon work itself clear of all these excrescences and deformities, and they will drop off.

It will soon be found that the people will prefer Treasury notes to any other currency; and they will of course have them, without any other limit than their means of obtaining them. It will soon be found that Treasury notes are preferable to certificates of deposite, and of course they must be given. It will soon be found, also, that the Government has nothing to do in regulating and cheapening exchanges, and the Fiscal Agent will then drop off, or be lopped off, as an enormous excrescence. Let no man, therefore, oppose the measure on account of these objectionable features. Let these features be stricken out, if they can be stricken out without danger to the bill; but, whether stricken out or not, let the bill pass.

AUCTION DUTIES.

The Government wants money, and how shall they get it? Let there be a duty of ten per cent. laid on the sale of all foreign dry goods at auction. Most of the dry goods sold at auction in this country are imported and sold on foreign account, and a duty of ten per cent. on the sales would produce one of two effects. It would either stop the importation and sale on foreign account, and thus throw all the importing business into the hands of our own merchants, (which would be its best effect,) or it would put from two to three millions of dollars a year into the Treasury, the whole of which would be paid by foreigners, for the privilege of selling their goods in our market at auction. The goods would not bring a cent more at auction for having to pay the duty. The question is never asked in an auction room, what did the goods cost, or what duties have they paid? The question is, what will you give?

The competition in an auction room is altogether between the buyers. The seller has nothing to say. Should the seller beg the buyers to increase their bids, on account of his having a duty of ten per cent. to pay, he would only be laughed at for his folly.

The regular importing American merchant never sells his goods at auction; or, at any rate, this is done in very rare cases. It follows, therefore, that the whole duty would be paid by the foreign importer. This would be some remuneration for the heavy duties which our products are compelled to pay in foreign markets.

I say, then, that a duty on the sale of foreign dry goods at auction would either stop the importation on foreign account, and throw the whole importing business into the hands of the American merchant, (which would have the further effect to graduate the importations to the wants of the country and its means of paying for them,) or it would compel the foreign importers to pay some two or three millions of dollars into the Treasury, for the privilege of flooding our country with their worthless goods, which we do not want, and selling them at auction.

The first effect would be most beneficial to the country, should that effect be produced; but it is probable that such a law would not operate exclusively either way, but would have some effect both ways It would check importations on foreign account to some extent, and it would compel foreigners to pay some money into the Treasury, for the privilege of selling their goods in our market at auction.

This double aspect of the law would have another advantage. It would enable those who were disposed to vote for it to elude the metaphysical hobbles of the Virginia abstractionists. Should it be charged that the law was unconstitutional, because its object was to protect the American merchant, and thereby *impaired the obligation of the free trade compact*, the ready and conclusive answer would be, that he voted for it for the purpose of revenue, and not for protection; and thus the abstractionist would be confounded, and choked off.

I hope, therefore, the Committee of Ways and Means will immediately report a bill to tax sales of foreign dry goods at auction; and I pray the House of Representatives to consider this article as a memorial from a citizen of Maryland to that effect.

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Raymond, Daniel

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